DOCUMENT RESUME

ED 400 382 CE 072 674

AUTHOR	Fullner, Wanda
TITLE	A Primer on Personal Money Management for Midlife and Older Women. Revised.
INSTITUTION	American Association of Retired Persons, Washington, D.C.
PUB DATE	92
NOTE	101p.
AVAILABLE FROM	American Association of Retired Persons, Fulfillment, 601 E Street, N.W., Washington, DC 20049 (stock number D13183).
PUB TYPE	Guides - Non-Classroom Use (055)
EDRS PRICE	MF01/PC05 Plus Postage.
DESCRIPTORS	Adult Education; Banking; *Consumer Education; Credit (Finance); Evaluation Criteria; *Females; *Financial Needs; Financial Services; Information Sources; *Middle Aged Adults; *Money Management; Needs Assessment; *Older Adults; Questionnaires; Records (Forms)

ABSTRACT

This booklet, which is intended to acquaint midlife and older women with the basic principles of personal money management, presents action steps, tips, and sample forms for planning and organizing personal finances. The booklet is organized into 10 sections that deal with the following aspects of personal money management: determining financial goals; assessing financial situation/needs; long-range planning; examining current cash flow and preparing a spending plan; determining types of bank accounts needed and selecting a financial institution; getting a bank card; setting goals for insurance protection; putting legal affairs in order (if married, facing divorce, planning to marry/remarry); investing for retirement; and getting help with finances. Concluding the booklet are the following: a list of 20 suggested readings, including 15 American Association for Retired Persons (AARP) publications; a list of bank and insurance company rating organizations; a financial planner interview questionnaire; and a list of AARP area offices. Also provided are 13 sample forms that are designed to be completed and kept in a financial planning notebook. Among the forms included are the following: goals list; personal directory; professional directory; list of document locations; cash flow statement; spending plan; lists of bank and brokerage accounts, credit cards, and insurance policies; and widowhood analysis. (MN)

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ED 400 382

A Primer on Personal Money Management

For Midlife and Older Women

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AARP

American Association of Retired Persons

Revised 1992

A Primer on Personal Money Management

Women: Take Charge Of Your Money!

Written by Wanda Fullner

An educational booklet of the
AARP Women's Initiative, produced by the
AARP Consumer Affairs Section,
Program Coordination and Development Department

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American Association of Retired Persons
601 E Street N.W., Washington, DC 20049

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Foreword

In 1984, the American Association of Retired Persons made a fundamental commitment to improving the health and economic well-being of midlife and older women. It established the AARP Women's Initiative, which has become an important resource and an effective force for change through special projects undertaken by the Association.

One of these projects is the Women's Financial Information Program (WFIP), which the Initiative and AARP's Consumer Affairs Section have developed to enable women across the country to make informed financial decisions. Many of these women have little or no experience in making decisions on taxes, investments, insurance, or legal matters. And for some, widowhood or divorce has created an uncertain financial future.

To help them become more knowledgeable, WFIP seminars in communities across the country provide women opportunities to increase their level of financial knowledge, build confidence in their decision making ability, and take control of their lives by taking control of their money. Many participants have asked for something similar to the seminar's workbook to send to their mothers, daughters, friends, and other women who want to learn how to take control of their finances. This primer, a derivative of the workbook, is the direct result of these requests.

Please read this primer. Like many women, you may find that learning more about your finances will give you a stronger financial identity and strengthen your confidence in the future.

Lovola Burgess, President
American Association of
Retired Persons

Acknowledgements

AARP is grateful to those volunteers in Little Rock, Hartford, Atlanta and Seattle who gave the Association's Women's Financial Information Program (WFIP) its energetic start in 1987. Their work bore the seeds of this primer, a derivative of the money management workbook written especially for the WFIP.

We are also grateful to the AARP Women's Initiative for having the vision to support this publication and the larger program of which it is a part.

Barbara Hughes, Senior Program Specialist, Consumer Affairs Section, is responsible for the early signs of success of the Women's Financial Information Program. Her energy and powerful personal commitment are providing much of the impetus which moves the effort ahead. Without her, there would be no program or primer.

Finally, thanks to the author, Wanda Fullner. A Certified Financial Planner, educator, and writer, Wanda has experienced much of what this primer teaches. Her writing skill and empathy for the intended audience make us proud of this work.

James M. Thompson, Director
Program Coordination and
Development Department

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The Woman and the Stockbroker

Woman, on the telephone: "Hello. My husband died recently and left me some bonds. I need to know what to do with them."

Stockbroker: "Do you want a conversion or a redemption?"

Woman, catching her breath: "Whoops, I guess I reached a church by mistake!" She quickly hangs up.

Introduction

Congratulations! You are about to embark on an exciting journey. This journey involves learning about your finances. Through a series of Action Steps, you'll learn ways to organize your finances and make wise decisions about your financial future.

For many of us, the first step is to adopt a new attitude. What does attitude have to do with money? Everything! If not for a certain pattern of thought in our traditions, women would not have so much to do now to take charge of their money. Many of us were taught that earning and managing money is "unfeminine," particularly if we have a husband.

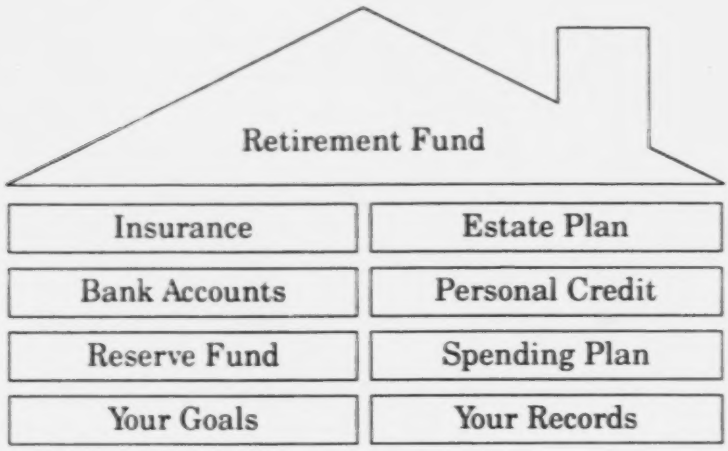
Today, we must face reality. Women and men alike suffer the economic consequences of illness, aging, physical or mental disabilities, marriage, divorce, death of a spouse, loss of employment, inflation, investment failures, and property damage. Every woman, married or single, needs to plan ahead for personal and family security. At any income level, survival isn't the only reason to take charge. We also want to enjoy life!

Some women think they can't take charge of their financial life if their husband has always controlled the money. Not true! No matter what your circumstances are, you can collect information on your finances. Even with partial information, you'll discover ways to improve and strengthen your financial identity. But remember, change can be threatening to you as well as to your husband. You or your husband may perceive your Action Steps as a challenge to the roles you have practiced for many years. One woman who completed the steps in this primer advised, "Take each step softly. Do the money management exercises just for yourself and casually keep your husband posted on what you're doing." Another woman reported that while she was sitting at the kitchen table completing an action step, her husband be-

gan looking over her shoulder. "My husband and I talked agreeably about money for the first time in 30 years," she said. "Soon, he was helping me fill in the inventory forms. With those forms between us, neither of us got emotional."

Regardless of your husband's response, you owe it to yourself to gain financial skills. You may need to carry on alone someday.

To help you gain these skills, this primer shows you how to establish the "building blocks" of a strong financial identity. Like the parts of a well-built house, these building blocks progress from the ground up and work together to provide long-range security and independence.



There are 19 Action Steps in this primer. None requires any prior expertise or experience with money. All that's required is your willingness to (1) set some goals, (2) collect and record information, and (3) take one small, reachable step after another to accomplish them. Once you know where you want to go with your money (your goals) and where you are now (your records), you'll be ready to plan the future of your finances.

Patience and Persistence!

The lessons may take several weeks to complete. Be realistic about what you can accomplish. Some weeks your goal may be simply to read and absorb the material. Break your goals down into small tasks and work at your own pace.

At times, you may feel discouraged and resist that next small step in the process of taking charge of your finances. Don't let these feelings stop your journey. We all feel this way when we take on new and important challenges. Be persistent! Whatever the next step is, break it down into small tasks and begin with just one—a phone call, a notebook entry, sharpening the pencils, or whatever. Then pat yourself on the back for the progress you made.

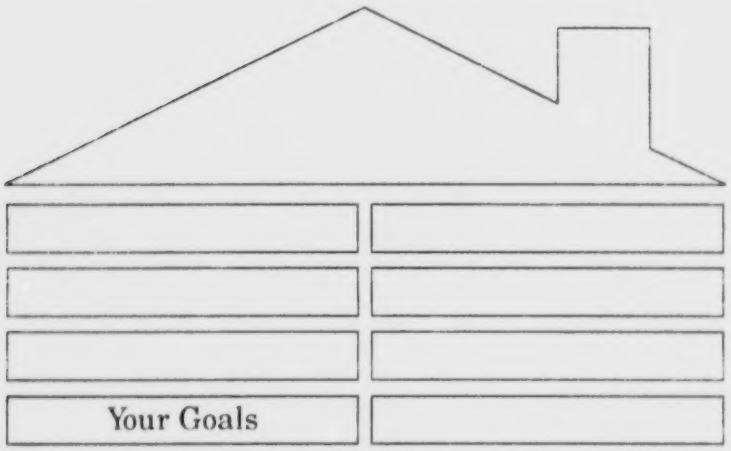
That pat on the back is very important. The completion of a task, no matter how small, represents success. Success builds confidence. Let's begin!

"I don't know what I would have done when my husband died if I hadn't attended this program."

A widow, Little Rock, AR

I.

Your Goals: Where Do You Want to Be?



One of the hardest questions a woman must answer is, "What do I want?" Many of us have been so involved with the needs of others that we've lost touch with our own wants and desires. Take a moment now to tune in to yourself. An essential step in taking charge of your money is to translate needs and desires into goals.

What is a Goal?

A goal is a statement of what you want the future to look like. It is a desired state of affairs. Think about this carefully because from these decisions will spring the information you need to complete the rest of the building blocks. Without goals, everything that follows in this primer loses meaning.

Be specific. If your goal is vague, like "to be able to handle finances," or "to have more money," you might not be able to confirm for yourself that you've done it. Examples of specific goals are:

- Set up a filing system for my financial records,
- Rent a safe deposit box,
- Have my sofa recovered,

- Spend Thanksgiving weekend in San Francisco,
- Save $100 per month for retirement.

Give each goal a dollar amount, if it will involve money and a target date. The dollar amount directs your financial activities. The target date shifts the goal from dream time to real time and motivates you to act.

Action Step 1: Starting Your Goals List

Turn to the "Goals List" on page 7 and start writing. Keep writing down goals and to-do items for at least 15 minutes. Remember that you are taking charge of your finances. Think of goals that will bring pleasure to your life right now and security and independence in the future. Consider all areas of your life, such as: housing, hobbies, travel and vacations, volunteer work, education, employment or business, major purchases (such as an automobile or piece of furniture), cultural or social events, fitness and recreation, and gifts.

Don't worry if your goals seem unrealistic or impossible. You'll be amending and changing your list as you go along. Goals are not cast in concrete; they are tools for meeting your needs and enhancing the quality of your life. As you and your situation change, so will your goals.

When you're finished, move on to the next building block. As you proceed through this primer, keep your goals list handy. We'll be helping you set goals that will put you in charge of your finances. Continue your goals on notebook paper. You may end this primer with several pages of goals.

When a goal or task on your goals list has been achieved or completed, write down the "date attained," then celebrate!

NOTEBOOK ITEM 1

GOALS LIST

Date Entered	Goal	Dollar Amount	Target Date	Date Attained
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____
_____	_____	$_____	_____	_____

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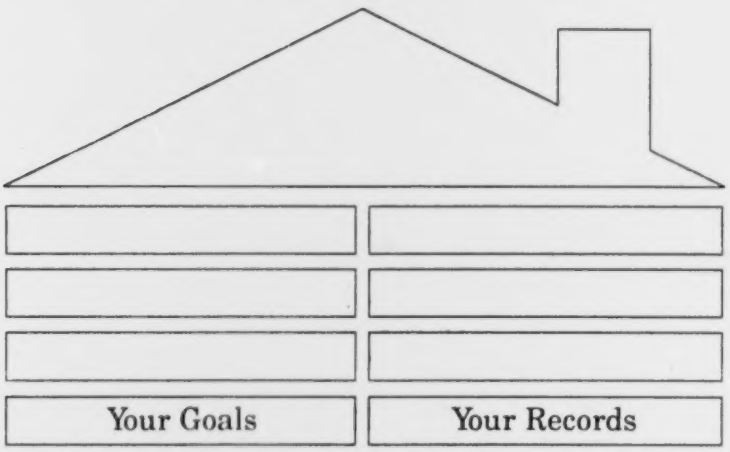
II.

Where Are You Now?



Recordkeeping is the most time-consuming building block to set in place, yet it is also the most rewarding. Your goals (Action Step 1) and your records provide the foundation for planning your finances and making wise decisions.

Information gives you power!

The next three action steps will make you the expert on your own finances.

Action Step 2: Starting a Financial Notebook

You'll be collecting and recording information about your finances throughout this primer. Sheets and/or directions marked "Notebook Item" are provided for this purpose.

When you've completed the notebook items in this primer, you can continue to add other important subjects unique to your financial situation. Like the card catalog or microfiche of a library, your financial notebook will provide quick access to your entire financial situation and become an indispensable money management tool.

Keep your financial notebook visible in the area of your home where you do your bill paying. Make a copy of the notebook items and store them in a fireproof box or safe deposit box for safe-keeping. To keep your financial notebook up-to-date, record changes in your financial situation as they occur.

Here's how to get started:

1. Buy a three-ring binder, 14 index dividers, and a package of notebook paper (college ruled).
2. Label a divider for each notebook item below. These notebook items appear throughout the primer.

   Goals List

   Personal Directory

   Professional Directory

   Location of Documents

   Financial Statement

   Cash-Flow Statement

   Spending Plan

   Bank and Brokerage Accounts

   Credit Cards

   Insurance Policies

   Pension Benefits

   Social Security Benefits

   Widowhood Analysis

3. File your goals list (Notebook Item 1 on page 7) in your financial notebook.

4. On separate sheets of notebook paper, complete the three notebook items described below. Use a soft pencil to facilitate erasures. Your records need not be perfectly neat. Just get the information down.

NOTEBOOK ITEM 2. PERSONAL DIRECTORY

Write "Personal Directory" across the top of the page and list the persons who should be notified in case of your death or incapacitation. Include your spouse, children, parents, and special friends, and the people named in your will, power of attorney, and trust agreements.

NOTEBOOK ITEM 3. PROFESSIONAL DIRECTORY

List every professional involved in your affairs who could be helpful in the event of your death or incapacitation, such as your physician, dentist, clergy, attorney, accountant, insurance agent, banker, financial advisor, and real estate agent. Also list the name, address, and telephone number of your employer.

NOTEBOOK ITEM 4. LOCATION OF DOCUMENTS

Here's a key record. If you should become incapacitated, deceased, widowed, or divorced, many documents would be needed to tend to your affairs. Where are they?

On your "Location of Documents" list, include all your important financial and legal documents and where they are stored. Review the lists under "Where to Store Important Documents" on page 13 for ideas on what to include. If in doubt about a document, include it. Your list might look like this:

Document	Location
Automobile title	Safe deposit box
Bank and brokerage statements	Home file
Birth certificates	Safe deposit box
Credit cards: Mastercard	Dora's wallet
Visa	Ed's wallet
Keys: to safe deposit box	Extra keys with
to fireproof box	sister Irene
Marriage certificate	Safe deposit box
Pension papers	Fireproof box
Rental agreement	Safe deposit box
Securities:	
Certificates of deposit	Safe deposit box
Stock certificates	Safe deposit box
Series EE Bonds	Safe deposit box
Tax returns	Fireproof box
Wills	Fireproof box and with sister Irene

Action Step 3. Organizing Your Records

Your files may consist of a shoe box, a file cabinet, a safe deposit box, or any variety of storage places. What's important is that (a) valuable or hard-to-replace documents are kept in a safe place, such as a safe deposit box at a bank or a fireproof box at home, and (b) that you can easily find the documents when needed. For convenience, you may wish to file copies of wills, living wills, and powers of attorney, in more than one place. Now, compare your current storage places (as listed on your Location of Documents sheet) with the suggestions in the box below. Reorganize your records as needed to keep them safe, accessible, and conveniently located.

WHERE TO STORE IMPORTANT DOCUMENTS

Safe Deposit Box	Fireproof Box at Home	Attorney/Relative/ Friend
Birth certificates	Awards	Burial instructions
Death certificates	Financial records	Will
Deeds to property	Tax returns (last six years)	Codicils to will
Divorce papers	Insurance policies	Power of Attorney
Education degrees	Living Will	Trusts
Legal documents	Property tax receipts	Living Will
Marriage Certificates	Warranties	
Military discharge papers	Copy of your Financial Notebook	
Securities		

TIP: If you've read this far in one sitting, you might want to stop now and start the next part in the morning, after the first lessons have sunk in a bit.

Better yet, considering all the ideas in this section of the primer, identify the ones that could improve your recordkeeping system. Write them down on your Goals List (page 7), then continue.

Action Step 4. Preparing Your Statements

Statements are lists of vital information for planning your financial future. It takes a lot of time to prepare them, but the effort is worth every minute. The four statements below (on Social Security benefits, pension benefits, finances, and cash flow) will help you make wise decisions about your financial future. They will be necessary for completing your Widowhood Analysis in Chapter VIII and your goal setting for retirement in Chapter IX.

Take a week or as much time as you need to get a good start on the statements. Don't rush yourself; be patient and work at your own pace. And don't let the enormity of the tasks get you down. Break them down into smaller tasks and do them one at a time. Just keep moving forward. Be persistent!

NOTEBOOK ITEM 5. SOCIAL SECURITY BENEFITS

You are probably entitled to Social Security benefits if: (a) you are a worker, (b) you are married to a worker, (c) you are the widow of a worker, or (d) you are divorced from a worker after a marriage that lasted ten or more years.

To find out what your Social Security benefits are, simply call the toll-free number for the Social Security Administration: 1-800-772-1213. A representative will tell you how to get a Personal Earnings and Benefit Estimate Statement for yourself and for your spouse. Ask the representative also to send you free booklets that explain your Social Security benefits and how the Social Security system works.

As soon as you get your Social Security Personal Earnings and Benefit Estimate Statement:

- Complete Notebook Item 5. Call the Social Security Administration (800 number listed above) if you need assistance understanding your benefits.
- Complete a second Social Security Benefits statement (Notebook Item 5) on notebook paper if both you and your spouse are earners.
- Review the earnings record on your Personal Earnings and Benefit Estimate Statement and report any errors or omissions immediately. You should ask for a new earnings statement about every 3 years to make sure your earnings are properly credited.

NOTEBOOK ITEM 5

SOCIAL SECURITY STATEMENT

Date of Information: _____

Name of worker:_____ S.S. #_____

1. Does worker qualify for DISABILITY BENEFITS? Yes____ No____

2. Does worker qualify for RETIREMENT BENEFITS? Yes____ No____

3. What are the worker's estimated RETIREMENT BENEFITS at age 65 or the age at which he/she intends to retire?

   Retirement Age_____ Worker $_____

4. What are the worker's SPOUSE'S estimated benefits at age 65 or the age at which he or she intends to retire?

   Retirement Age_____ Spouse $_____

5. What are the SURVIVOR'S BENEFITS if the worker should die now?

   Lump sum death benefit ($255 in 1991) $_____

   Spouse's benefit starting at age 60 $_____

   age 62 $_____

   age 65 $_____

   Spouse caring for child under 16 or disabled before age 21 $_____

   Children's benefit through age 18 or high school graduation or if disabled before age 21 $_____

   Dependent parent's benefits $_____

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NOTEBOOK ITEM 6. PENSION BENEFITS STATEMENT

For each pension you or your spouse has, call your employer or pension plan administrator and request the following documents: a Summary Plan, the Official Plan Document, and an Individual Benefits Statement. The last document will help you complete the notebook item on page 17. Complete a separate pension benefits statement for each pension you and your spouse own. For assistance, call the pension plan administrator. (See also the AARP publication, *A Woman's Guide to Pension Rights* in the Reading List)

Married Women!

- Be sure to understand your spousal benefits. Most pension plans are required by federal law to make spousal benefits automatic should the worker die and the spouse survive. This protection begins as soon as the worker becomes entitled to benefits. This means that your husband must secure your written and notarized permission to remove you as a beneficiary to his pension.
- Do not give up your spousal benefits unless you have alternative resources to survive in the event of widowhood. (We will analyze your income needs in the event of widowhood in Chapter VIII.) The survivor's benefit on your husband's pension may be more valuable to you than the employer's group life insurance. The pension benefit continues beyond retirement whereas the group life insurance usually ends upon retirement.
- If you become divorced, a court may treat your own and your spouse's pension as property of the marriage. It may therefore be possible to receive payments from your former spouse's pension. An important source of information on pension rights at divorce is the Clearinghouse on Pensions and Divorce, a project funded by AARP. See the book, *Your Pension Rights at Divorce* by Anne E. Moss (on the Reading List) or contact:

  Pension Rights Center
  Clearinghouse on Pensions and Divorce Project
  918 16th Street N.W., Suite 704
  Washington, DC 20006
  Telephone: 202-296-3779

NOTEBOOK ITEM 6

PENSION BENEFITS

Date of Information:_____

Name of worker:_____ Pension #_____

Pension plan administrator: _____

Address:_____

Telephone number:_____

1. If worker left the employer today, how much could he or she receive?
   (a) A lump sum of $_____, or
   (b) Monthly payments of $_____ beginning (date)_____
2. Are Social Security benefits taken into account in the final calculation of monthly payments?

   Yes____ No____
3. At retirement, how much is the worker's estimated benefit?

   Retirement age:_____

   (a) A lump sum benefit: $_____

   (b) Monthly payment if spouse is named as beneficiary: $_____

   (c) Monthly payment if no spouse is named as beneficiary: $_____
4. If worker has not retired and dies now, how much can his or her spouse receive?

   A lump sum $_____ /or monthly payment $_____
5. If worker dies after retirement, how much can his or her spouse receive immediately?

   A lump sum $_____ /or monthly payment $_____
6. Does the pension provide cost-of-living increases?

   Yes____ No____

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NOTEBOOK ITEM 7. FINANCIAL STATEMENT

A "Financial Statement" lists what you own (assets) and what you owe (liabilities). The bottom line of this statement is your "net worth"—the value of all your assets minus your debts.

As one of your most important planning tools, your financial statement helps you establish your building blocks for long-range security by

- telling how much money is available for important goals such as a Reserve Fund, children's education or retirement;
- helping you determine how much insurance to buy; and
- indicating how much would be in your estate or your husband's estate and thereby helping you identify estate planning needs.

Refer to Notebook Item 7 on pages 21 and 22 and:

1. Under "ASSETS," list your savings and investments. Use your last monthly or quarterly statements for the current value of your bank accounts, certificates of deposit, or individual retirement accounts. A stockbroker or newspaper listings can help you find current values on your stocks, bonds, and mutual funds. A real estate agent can help you determine the current value of your home. Stockbrokers and real estate agents normally do not charge for asset valuations.
2. Under "Type of Ownership," note the correct type of ownership as defined in the box on page 20. Check with your financial institution to see if joint accounts are held as "tenancy with right of survivorship (JTWROS)" or "tenancy in common (TC)."
3. Under "Total," write the current value of your assets and liabilities. If you're married, divide the total between "Self" and "Spouse," according to the proportion owned by each. For example, if you and your husband jointly own a savings account of $2,000, you would record $2,000 in the "Total" column and $1,000 each in the "Self" and "Spouse" columns. This separation will help you determine your individual net worth within the partnership.

4. List all your liabilities. Include all your debts, and don't forget unpaid taxes and personal loans.
5. Subtract total liabilities from assets and there you have it—your net worth! In Chapter IX we'll show you how to make your net worth rise.

Complete a financial statement every year. Like your bathroom scale, it gives you feedback on your current situation so that you can gauge where you are now in relation to your goals.

"The [Women's Financial Information Program] focuses on being organized and responsible for your own finances—because no one else is going to do it for you."

A divorced woman, Hartford, CT

TYPES OF OWNERSHIP

SOLE OWNERSHIP (S). Property has one owner. When the owner dies, the property is distributed according to his or her will or, if no will, by state law.

***TENANCY IN COMMON (TC).** Property owned by two or more tenants (owners) in equal or unequal shares. When one tenant dies, his or her share is distributed the same as SOLE OWNERSHIP. It does not pass automatically to a spouse or other tenant(s).

***JOINT TENANCY WITH RIGHT OF SURVIVORSHIP (JTWROS).** Property is owned by two more tenants (owners) in equal shares. If one tenant dies, his or her share passes automatically to the other tenant(s).

TENANCY BY THE ENTIRETY (TE). A type of ownership available to married couples in some states. Property is owned in equal shares, cannot be sold without the consent of both spouses, and, upon the death of one spouse, passes automatically to the surviving spouse.

COMMUNITY PROPERTY (CP). Applies to property and debts acquired by a married couple in a community property state—California, Louisiana, Arizona, Nevada, Texas, Washington, Wisconsin, Idaho, New Mexico, and Puerto Rico. CP does not apply to property purchased while living outside a CP state or to property acquired by gift or inheritance.

Upon the death of one spouse, his or her share of CP passes the same as SOLE OWNERSHIP. (It does not automatically pass to the surviving spouse).

***Caution!** A tenant of TC or JTWROS property can sell his or her share of the property without the consent of the other tenant(s), even if the other tenant is his or her spouse.

NOTEBOOK ITEM 7

FINANCIAL STATEMENT

Date _____

1. ASSETS	Type of Ownership	Current Value Total	Self	Spouse
Cash				
Checking accounts	___	$_____	$_____	$_____
Savings accounts	___	_____	_____	_____
Certificates of deposits	___	_____	_____	_____
Money market accounts	___	_____	_____	_____
Money market funds	___	_____	_____	_____
_____	___	_____	_____	_____
Retirement Funds				
IRA/Keogh accounts	___	_____	_____	_____
Pension/profit sharing	___	_____	_____	_____
Deferred compensation	___	_____	_____	_____
Annuities	___	_____	_____	_____
_____	___	_____	_____	_____
Business Interests	___	_____	_____	_____
Contracts (money owed you)	___	_____	_____	_____
Other Investments				
Life Insurance cash value	___	_____	_____	_____
Bonds (government)	___	_____	_____	_____
Bonds (corporate)	___	_____	_____	_____
Mutual funds	___	_____	_____	_____
Stocks	___	_____	_____	_____
Other securities	___	_____	_____	_____
_____	___	_____	_____	_____
_____	___	_____	_____	_____
Personal Use Assets				
Home	___	_____	_____	_____
Other real estate	___	_____	_____	_____
Automobiles	___	_____	_____	_____
Other personal property	___	_____	_____	_____
Household furnishings	___	_____	_____	_____
Jewelry	___	_____	_____	_____
_____	___	_____	_____	_____
_____	___	_____	_____	_____
TOTAL ASSETS		$_____	$_____	$_____

Continued on next page

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NOTEBOOK ITEM 7

FINANCIAL STATEMENT (continued)

2. LIABILITIES	Total	Self	Spouse
Credit Card Balances			
_____	$_____	$_____	$_____
_____	_____	_____	_____
_____	_____	_____	_____
Personal Loans			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Business Loans			
_____	_____	_____	_____
_____	_____	_____	_____
Mortgages			
_____	_____	_____	_____
_____	_____	_____	_____
Taxes Owed			
_____	_____	_____	_____
Other			
_____	_____	_____	_____
TOTAL LIABILITIES	$_____	$_____	$_____
3. Total Assets	$_____	$_____	$_____
Less Liabilities	-_____	-_____	-_____
NET WORTH	$_____	$_____	$_____

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NOTEBOOK ITEM 8. CASH-FLOW STATEMENT

A "Cash-Flow Statement" shows your income for the past year and where it all went. Like a financial statement, it gives you feedback on what's happening in your finances so you can set appropriate goals. It will help you:

- set a reserve fund goal in Chapter III;
- make a spending plan in Chapter IV;
- assess your needs in the event of widowhood in Chapter VIII; and
- set a goal for your retirement fund in Chapter IX.

Refer to Notebook Item 8 on pages 25 and 26 and write down the period for which you are reporting past income and expenses. In order to record a representative history of your expenses, the longer the period up to 12 months, the better. It's easiest to use the period from January 1 through December 31, because tax returns and statements coincide with these dates. However, if your situation changed radically within the past few months, a shorter period can be used.

Before you begin, take a few minutes to gather your records, such as your last federal tax return, checkbook register, and charge statements for the past year. Then, sit down for about an hour to get a good start on your cash-flow statement.

1. Under "INCOME," list all sources, including gifts, refunds, occasional income (such as the sale of crafts, baby sitting, etc.).

2. Under "Total," record the annual amount received for each income source. For wages, it's best to list "gross" income, or the total amount you receive before deductions. This way you can add the taxes, insurance payments, and other deductions as part of your expenses and keep track of them.

   If you're married, distribute the income into the "Self" and "Spouse" columns according to who earned it or who owned the assets that produced it. Divide income from jointly-held assets evenly into the self and spouse columns, unless another proportion is clearly indicated (refer to your financial statement).

3. Under "EXPENSES," begin with savings (including contributions you made to all your savings accounts, retirement funds, and other investments) and taxes (including state and federal income taxes and Social Security taxes). Then go on to list where all the rest of your money went.

   If you're married, use "Self" and "Spouse" columns to separate expenses that are strictly personal, such as clothing, separate automobiles and transportation costs, gifts, and so on. This separation will give you a clearer picture of spending habits and help you assess your financial needs in the event of widowhood in Chapter VIII.

4. Total expenses should add up to total income. If you cannot account for all your expenses, adjust the "Miscellaneous" category until income and expenses total the same. If your miscellaneous category is larger than ten percent of your income, start keeping track of how you spend your money! (Carry a notepad around and keep receipts.) If expenses exceed total income, find out why. Did you borrow money or withdraw from savings? The more you learn about your cash flow, the easier it will be to control it.

NOTEBOOK ITEM 8

CASH-FLOW STATEMENT

from _____ to _____

1. INCOME	2. Total	Self	Spouse
Salary/wages	$_____	$_____	$_____
Interest/dividends	_____	_____	_____
Social Security	_____	_____	_____
Retirement plans	_____	_____	_____
Reimbursements/Refunds	_____	_____	_____
Other:	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
TOTAL INCOME	$_____	$_____	$_____

3. EXPENSES (How you actually spent your money)

Savings	$_____	$_____	$_____
Income taxes	_____	_____	_____
Social Security taxes	_____	_____	_____
Property taxes	_____	_____	_____
Insurance	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Mortgage/rent	_____	_____	_____
Utilities (heat, electricity,	_____	_____	_____
water, garbage, phone)	_____	_____	_____
Debts payments	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Transportation	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Food/supermarket items	_____	_____	_____
Restaurant	_____	_____	_____
Recreation	_____	_____	_____

Continued on next page

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CASH-FLOW STATEMENT (continued)

Holiday expenses	_____	_____	_____
Gifts	_____	_____	_____
Education/classes	_____	_____	_____
Clothing	_____	_____	_____
Donations	_____	_____	_____
Other:	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Miscellaneous	_____	_____	_____
4. TOTAL EXPENSES	$_____	$_____	$_____

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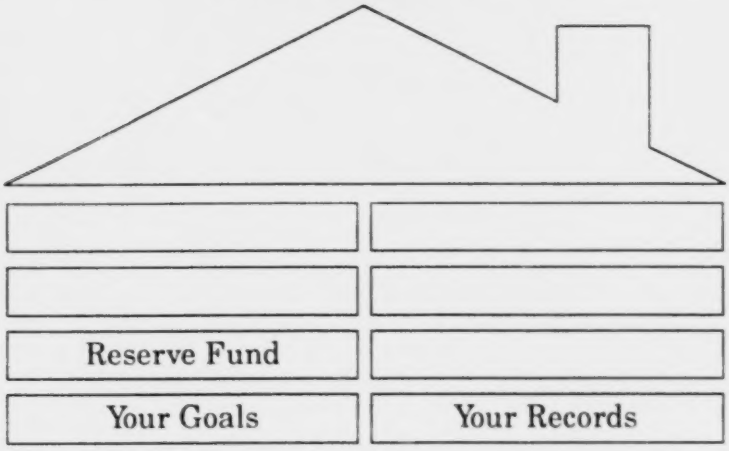
TIP: If you've taken it this far, the hardest part is behind you. Stop right now and GIVE YOURSELF A BIG PAT ON THE BACK!

III.

Long-Range Planning Starts Here...



Have you ever had an emergency or unplanned expense come up and no money to pay for it? Most people have. To cover the expense they must either borrow money or dip into funds that they had earmarked for other purposes, such as their children's education or their own retirement. A vital step in planning for long-range security is to establish a "Reserve Fund."

A reserve fund is a cash account (for example, a savings account, money market account, or money market fund) that you have earmarked for emergency or unplanned expenses. How much money should you keep in your reserve fund? A good rule of thumb is to have enough to pay from six to nine months of your basic living expenses. This amount normally provides an adequate cushion to cover events such as:

1. Temporary unemployment.
2. Unexpected repairs (auto, home, etc.).
3. Replacement of a needed appliance or automobile.

4. Immediate expenses when a death occurs in the family. These expenses are likely to include funeral and burial and at least three months of living expenses while waiting for Social Security benefits to begin or the release of money from the estate.
5. A period of disability. (Social Security does not pay disability benefits until the sixth month after application. Many private disability insurance plans eliminate the first six months from coverage.)
6. Medical expenses not covered by insurance or Medicare.
7. A big dental bill.

Action Step 5. Setting a Goal for your Reserve Fund

This is the shortest action step in all the building blocks, but it is no less important than the others. Your reserve fund will protect your cash flow and lay the foundation for your retirement fund.

Worksheet

1. How much money do you think your reserve fund should contain? (This is ideally at least six times your basic monthly expenses.) $_____
2. Funds available now: (Refer to your financial statement) –_____
3. YOUR GOAL. How much do you need to save to complete your reserve fund? Subtract line 2 from line 1: $_____

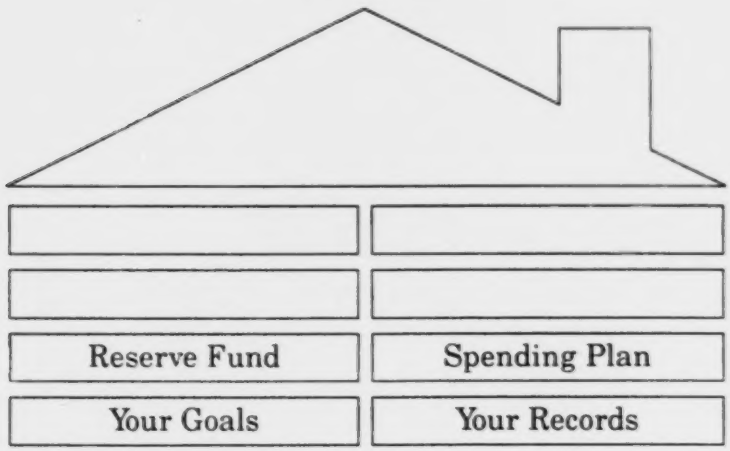
Add your reserve fund goal to your goals list and set a target date.

Does your reserve fund goal seem out of reach? Set it anyway and write down a tentative target date. You'll be surprised at what you can accomplish when you make your spending plan in Chapter IV.

Congratulations! You've just set your first planning goal. Now continue on to the next building block to plan how you're going to reach your reserve fund goal.

IV.

How Does Your Cash Flow?



Action Step 6. Preparing a Spending Plan

Your cash flows in...then where does it go? Your cash-flow statement shows where it went last year. A "Spending Plan" shows the goals that you want to fund this year.

> A spending plan is like headlights. It shows where you're going so that your daily spending can stay on course.

NOTEBOOK ITEM 9. SPENDING PLAN

Set aside one or two hours to get a good start. Begin by studying your cash-flow statement. Identify expenses that must continue.

Next, study your goals list. Consider what new goals you want to fund. If you do not have an adequate reserve fund at this time, be sure to have a reserve fund goal on your list (see the worksheet on page 28). Even if you have very little income, you can strive to save something each month toward this essential building block.

Next, turn to Notebook Item 9 on pages 31 and 32 and start writing out your 12-month spending plan. Include all the income you expect and how you intend to spend it. Don't forget to write in a monthly savings deposit for your reserve fund.

Expect to make several drafts of your spending plan before arriving at one that accommodates your goals and fits your income. Once you've arrived at something that looks workable, put it into practice.

But, don't be surprised if the Spending Plan you make this month begins to look unworkable next month. You must keep revising it as you go along (so be sure to write in pencil). If you cut expenses one month, you'll have extra money to plan with; conversely, if expenses run over, you'll need to decide whether to dip into your reserve fund or adjust your spending plan.

> If your spending plan isn't working, don't abandon it. Change it!

NOTEBOOK ITEM 9: SPENDING PLAN

Year _____

I. INCOME	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual Total
Total Income													$
II. DISTRIBUTIONS													
A. Savings													
B. Expenses													
													$

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B. Expenses	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual Total
Total Distributions													$

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Action Step 7. Plugging the Leaks

If you have habits that waste money, employ strategies to plug the leaks. Review the following suggestions for plugging common cash-flow leaks. If any apply to you, add them to your goals list and begin practicing them as soon as possible.

- Leave credit cards at home.
- Pay off credit card balances each month to avoid paying interest.
- When an installment debt is paid off, make a new plan for the payment amount. For example, after you've made the last automobile payment, begin paying the same amount to your retirement fund or some other high-priority goal.
- Comparison shop for all large purchases.
- Learn to say "no" when kids, relatives, or friends ask for money.
- Take all your allowable tax deductions.
- To boost your savings or retirement fund, pay yourself first. For example,
  - Make your savings contribution the first "bill" paid each month.
  - Use employer deductions to save more money "off the top" of your salary.
  - Join all employer-sponsored savings plans.
  - Have your interest and dividends automatically reinvested rather than sent to you (unless you rely on them for income).

What other plugs would help you reclaim more dollars for important goals? Add them to your goals list.

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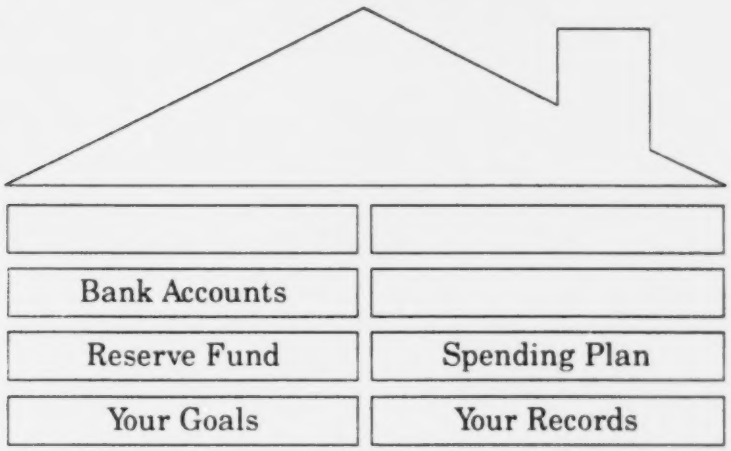
V.

Consider Your Bank Accounts...



Bank accounts are essential in your cash flow system. Like irrigation reservoirs, they hold your money until you distribute it to your goals.

Most people need at least four bank accounts to make their cash flow efficiently. Each account should be earmarked to serve a specific purpose.

Action Step 8. Deciding How Many Bank Accounts You Need

Check (✔) the accounts below that would facilitate your cash flow. Add them to your goals list.

___ A checking account for monthly bill-paying.

___ If married, additional checking account(s) to facilitate spousal autonomy or separate money.

___ A checking or savings account to accumulate money for non-monthly expenses, such as insurance and taxes.

___ An account for your reserve fund. This could be a money market account at a financial institution or a money market fund (see page 69 for definitions).

___ An account for long-range savings goals, such as retirement. We'll talk about retirement accounts in Chapter IX.

Action Step 9. Selecting a Financial Institution

Alternatives include commercial banks, savings and loan associations, mutual savings banks, credit unions, and brokerage firms. Recent legal changes have allowed these types of financial institutions to offer similar services. It pays to compare several institutions.

To select a financial institution that meets your needs, compare at least three that meet the following criteria. Choose the one that best serves your needs for safety, competitive interest rates, services, and convenience.

1. Federally-insured accounts. Look to see if the symbol FDIC, NCUA or SIPC is displayed in the financial institution and its literature. FDIC, which stands for Federal Deposit Insurance Corporation, insures accounts in banks and savings and loan institutions for up to $100,000. NCUA, which stands for the National Credit Union Association, insures accounts in federally chartered credit unions for up to $100,000. SIPC, which stands for Security Investor's Protection Corporation, insures cash accounts for up to $100,000 and security accounts up to $500,000 at brokerage firms. The insurance limits can be extended if you have different types of accounts.

2. Financial stability. While few brokerage firms have ever gone broke, it's wisest to select a large firm that's been in business at least 15 years.

For other financial institutions, stability can change quickly. Unless you have the sophistication to evaluate the quarterly financial statements on your own, the quickest way to cover the criterion of financial safety is to use VERIBANC (call toll free, 1-800-442-2657), a research firm that provides a rating report for a small fee. VERIBANC rates financial institutions according to three criteria:

a. Net income. If net income is less than the operating expenses, the bank is spending more money than it's making. Not a good sign.

b. Equity to total assets ratio. A ratio below 5 percent means the bank doesn't have enough money to pay its bills and grow. Ratios above 7 percent indicate a strong financial position.

c. Loan-loss reserve. If the problem loans are higher than the loan-loss reserve, the institution could be in trouble.

See page 85 for other financial rating sources.

Tips for Safe Banking

- When your total deposits at one financial institution approach $100,000, check with the institution to see if you will qualify for federal insurance above $100,000. If not, move money to a different institution to keep all your money insured.
- Use more than one financial institution in case one should falter. Accounts could be frozen and interest rates lowered. You might keep bill-paying accounts at one financial institution and your reserve fund at another.
- Be wary when a financial institution's interest rates are particularly high compared with others. Financially-troubled institutions sometimes offer higher rates to attract depositors. Check for financial stability (see page 36).
- **Married Women:** Keep bill-paying money and a reserve fund in your own name or in a joint account with right of survivorship. In the event of the death or incapacitation of your spouse, you would need access to these funds immediately.

NOTEBOOK ITEM 10.
BANK AND BROKERAGE ACCOUNTS

Make a list of your bank and brokerage accounts for your financial notebook. Every year thousands of dollars are turned over to the state because heirs did not know that Aunt Tilly had an account at the Mill Valley Credit Union.

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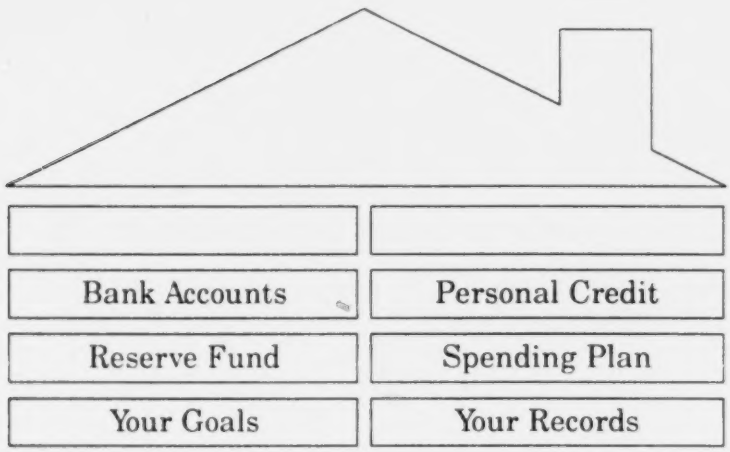
VI.

Give Yourself Credit



Do you have a national credit card? You may not believe in borrowing money, or you may fear that you will overspend if you could charge everything, but that's no excuse not to have one. You can keep the card at home or in a safe deposit box.

You need just one credit card—a bank card. A bank card, such as Visa or Mastercard, is issued by a financial institution and honored worldwide by a broad range of businesses, including department stores, drug stores, airlines, and restaurants.

Like an insurance policy, a bank card is indispensable when you need it. Consider:

- A bank card is safer to carry than cash.
- A bank card can cover emergency expenses, such as medications not covered by insurance, an airline ticket when there's an illness or death in the family, or necessary repairs on an automobile or appliance.
- It's virtually impossible to rent a car without a bank card.

Furthermore, a credit card gives you a credit history and financial identity.

Married Women!

- Get your own individual card (as Mary Jones, not Mrs. John Jones). This enables you to maintain your credit in the event of widowhood or divorce and to use it for legal expenses or other critical needs that may arise.
- Your name on a jointly held card does not give you access to credit you need. If you become widowed or divorced, the creditor cannot automatically cancel your account, but can require you to reapply.
- If you are a user on your husband's credit card, or participate in paying the charges, you are entitled to the credit history on the account. Simply write a letter to the creditor and request that the credit history be reported in your name as well as in your husband's name.

Action Step 10. Getting a Bank Card

1. Comparison shop at various financial institutions for a credit card that offers:

- low or no annual fee;
- low interest rate on the unpaid balance; and
- "grace period" in which no interest will be charged if the monthly bill is paid in full.

2. If in doubt about your credit rating, call your local credit bureau (the financial institutions can tell you which credit bureaus they use) and ask to see a copy of your credit report. You can obtain the report for a small fee, or for no fee if you've been turned down for credit. If you challenge negative items on the report, the credit bureau must verify them and remove any that are unverifiable.

3. Apply for a bank card. If you don't qualify under the regular application procedure, find a financial institution that offers the collateral method. The collateral method requires you to keep a certain amount of money in a savings account until you have used the bank card for a specified period and paid the charges on time.

NOTEBOOK ITEM 11. CREDIT CARDS

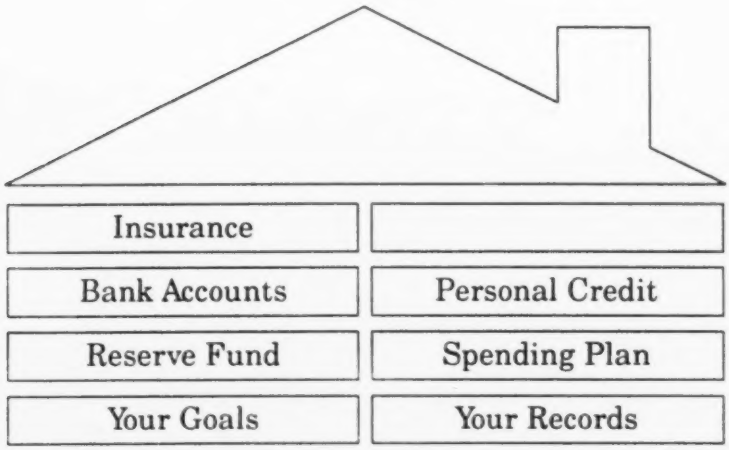
Make a list of family credit cards for your Financial Notebook. Record the issuer, account number, and telephone number to call in case the card is lost or stolen. This list will help you keep track of your credit cards and enable you to respond quickly if any are lost or stolen.

Warning! While credit cards may be essential or quite useful in your cash-flow system, they expose you to fraud and shams.

- Credit card insurance is a waste of money. If your credit cards are lost or stolen and you notify the creditors before any charges are made, you will not be liable for unauthorized charges. Otherwise, you could be liable for charges up to $50 per card. Check your renter's or homeowner's insurance policy; most policies cover credit card losses up to $500.
- Never give your credit card number over the telephone unless you initiated the call and need to give your number to make a purchase.
- Don't allow salespeople to write your credit card number on your check or other documents. They have no legal right to require it.

VII.

Are You Adequately Insured?



Everyone needs insurance. If your income is low and you have little or no savings, your safety net is government programs, such as Medicaid for health care costs, Supplemental Security Income (SSI) for basic support, and food stamps. But once you have enough in income and assets to begin building up your resources for long-range security, you need to purchase commercial insurance.

> The purpose of insurance is to protect your income and assets.

INSURE FOR THE LARGE LOSSES! You may want insurance to replace a broken window or the bumper on your car; but it's far more important to have major medical insurance in case of prolonged illness; liability insurance in case you cause harm to someone else or their property; replacement insurance on your home; and, possibly, long-term care insurance in case of a chronic illness or disability requiring custodial care. If married, you may also need life insurance on your spouse.

Action Step 11. Setting Goals for Your Insurance Protection

1. Set aside a week to read your insurance policies (perhaps one per evening) and compare your coverages with the guidelines in this chapter:

   a. Health Insurance, page 45;

   b. Medigap (medicare supplement insurance), page 46;

   c. Long-Term Care Insurance, page 47;

   d. Disability Insurance, page 49;

   e. Life Insurance, page 50;

   f. Homeowner's or Tenant's Insurance, page 51;

   g. Automobile Insurance, page 51.

Where you find discrepancies between your policies and the guidelines, or if you have further questions, set goals to explore your insurance needs and talk to professionals. Your goals list may expand by a page or more in this chapter.

2. Read up on the types of insurance you need to explore. A good place to start is the consumer guide, *Winning the Insurance Game*, by Ralph Nader and Wesley J. Smith (see Reading List). Free AARP booklets on insurance will be cited in the guidelines for Medigap, long-term care, and life insurance.

3. Review your insurance needs with an insurance agent. Practice the Rule of Three: talk to at least three agents; compare at least three policies.

> **Rule of Three:** Always compare at least three alternatives (products, services, sales agents) before making a decision.

4. Buy your insurance only from insurance companies rated A or better by an authoritative research company such as A.M. Best. See the list of insurance research firms on page 45. Your state insurance department and insurance agent can assist you in getting company ratings. Ratings should not be considered a guarantee that the carrier will always enjoy an excellent rating, or that your investment is fully guaranteed.

Insurance Rating Companies

A.M. Best
Amherst Road
Oldwick, NJ 08858
(908) 439-2200
1-900-420-0400

Duff & Phelps Credit
Rating Company
55 E. Monroe Street, Suite 3600
Chicago, IL 60603
(312) 263-2610

Moody's Investors Service
99 Church Street
New York, NY 10007
(212) 553-0300

Standard & Poors
25 Broadway
New York, NY 10004
(212) 208-8000

These resources are usually available in public libraries.

NOTEBOOK ITEM 12. INSURANCE POLICIES

List all your insurance policies in your financial notebook. Note the type of policy, the name of the company, and the policy number. For life insurance policies, note the owner, insured, beneficiary, and the amount of loans (if any) against the policies.

Basic Types Of Insurance

a. Health Insurance

Major medical insurance is the most important coverage if you are not on Medicare. (If you are on Medicare, see "Medigap" below.) Major medical protects you against the financial risks of accident or illness. Watch for the following provisions:

Maximum benefit should cover at least $250,000 in lifetime benefits, preferably $1,000,000. Some policies are unlimited.

Co-insurance or **co-payment.** Your policy should pay from 70 to 80 percent of "reasonable" charges, at least. You would "co-insure" or "co-pay" the remaining percentage out of pocket.

Stop-loss. Your policy should limit the amount that you must co-pay per year. For example, a "stop-loss" of $2,000 means that after you have paid $2,000, the insurance policy will pay 100 percent of the expenses up to the lifetime limit.

Guaranteed renewable. This is a vital provision, because the older you get the harder it is to buy health insurance.

If you or your husband is employed, start planning for retirement health insurance a year in advance. Some Medigap (medicare supplement) policies have a six-month waiting period for pre-existing conditions, and you may need to do some research to find the right policy for you.

Married Women!

- If covered by your husband's employer's plan, find out your health insurance options in case of widowhood or divorce. Federal law (COBRA 1986) requires employers to continue offering group coverage to a worker's widowed, separated, or divorced spouse for up to 36 months. For more information on your rights under COBRA, send for the free AARP/Older Women's League (OWL) brochure, *Group Health Continuation: Know Your Rights* (see Reading List).
- After widowhood or divorce, many women find they do not qualify for health insurance until they reach age 65 and go on Medicare. Their right to insurance through their husband's employer ends after 36 months (see the paragraph above). To prevent such a gap in your health insurance coverage, it's advisable to get insurance through your own employer or privately, though the latter may cost more. Between ages 40 and 65, it becomes increasingly difficult to get health insurance.

b. Medigap

Medigap is short for "Medicare supplement insurance." It may pay deductibles, co-payments, and some expenses not covered by Medicare. Your medigap policy should fill the major gaps in Medicare through which large hospital and medical bills could flow to you, such as long hospital stays, skilled nursing home care, excess doctor bills, or prescription drugs.

For complete information on Medicare and medigap policies, send for AARP's free booklet, *Medigap: Medicare Supplement Insurance, a Consumer's Guide* (see Reading List).

Many senior organizations and AARP have a free counseling service to help seniors understand Medicare and select a good medigap policy. To find the nearest service, call your local Area Agency on Aging (see the box on page 48).

Do You Qualify for Medicaid?

Medicaid is a federally aided, state-operated program that provides health coverage for very low-income people of any age. To see if you might qualify, call your local or state health and social services department. If you qualify for Medicaid, you may need no other form of commercial health insurance.

For more about Medicaid, call your local Area Agency on Aging (see the box on page 48).

c. Long-Term Care Insurance

Long-term care insurance is becoming increasingly important. People are living longer and therefore becoming more vulnerable to chronic ailments associated with age. In the past, help often came from family and friends, and it still does. However, most women outlive their husbands, adult children often work full time, and many older women have no children, other relatives, or friends who can provide long-term care. That is why it's important to give careful consideration now to how you would pay for the services you or your spouse might need in the future.

Long-term care insurance is quite expensive (between $250 and $8,000 per year for a policy). The cost depends on many factors, including the insured person's age, length of benefits, and level of benefits. Before you decide whether or not to buy long-term care insurance, take these steps:

1. Assess how much you can pay from your own resources. In 1991, nursing home care averaged around $82 per day (approximately $30,000 per year), although costs varied widely from community to community. Home care costs ranged from $50 to $200 per day. Study your financial statement and cash-flow statement to see how much in assets and income you can earmark for potential long-term care. The more care you can pay yourself, the less long-term care insurance you'll need to buy.

2. Understand the limitations of Medicare and medigap policies. Neither covers custodial care unless you are also receiving skilled nursing care. Custodial care alone is the most commonly needed service.

3. Investigate your state's rules on Medicaid (see the box above). Medicaid currently requires applicants to spend down almost all of their savings before becoming eligible for nursing home coverage. However, Medicaid has two rules that can help some people:

Transfer of assets rule: Some people prefer to transfer assets to others rather than to use them to pay for their long-term care. To prevent people from transferring assets in order to qualify for long-term care under Medicaid, Congress passed a law that requires Medicaid to include in its screening process all assets that the applicant transferred to others within the past 30 months. Due to the complexity of Medicaid's transfer of assets rules, consult a lawyer before transferring assets.

Spousal protection rule. When one spouse is in a nursing home and the other is not, the institutionalized spouse has to spend down his or her income and assets to certain levels before Medicaid will cover the cost of nursing home care. To help prevent the impoverishment of the at-home spouse, Medicaid allows the at-home spouse to keep at least $903 of monthly income and between $13,296 and $66,480 in assets (excluding the home). These dollar amounts reflect 1991 levels and differ from state to state.

4. Investigate your community resources for long-term care services. These services may include: care management, chore services, companion services, congregate meals, home-delivered meals, homemaker services, adult daycare, and transportation. For a list of services in your area and the eligibility requirements, call your local Area Agency on Aging (see the box below).

> **Area Agency on Aging (AAA):** Funded under the federal Older Americans Act, AAAs are local, city, or county agencies that plan and coordinate various social and health service programs for persons 60 years of age or older. Your local AAA is listed in your telephone directory under community services for seniors. The number can also be obtained by calling a local senior services agency.

5. Inform yourself about long-term care insurance. Send for the free AARP booklets, *Before You Buy: A Guide to Long-Term Care Insurance* and *Making Wise Decisions for Long-Term Care* (see Reading List).

6. Before you buy a policy, comparison shop and:

- Check to see if the nursing care facilities in your area meet the requirements defined in the policy.
- Make sure the policy covers
  - nursing home care and home care,

- custodial care,
- Alzheimer's disease and related disorders,
- inflation protection, and
- premium waiver when in a nursing home.

- Avoid policies that require a prior hospital or nursing home stay. Many chronic diseases or conditions, such as Parkinson's or Alzheimer's disease, may not necessitate hospitalization but ultimately require confinement in a nursing home or use of home care services.

d. Disability Insurance

Although disability insurance is expensive after age 50, it may be critical if you're dependent on wages.

- How much disability insurance does your employer or union provide? (Many provide disability coverage for 30 to 90 days.)
- What other forms of disability insurance do you have? Check the benefits and limitations under Social Security, Worker's Compensation, Veteran's Administration, Civil Service, or other programs for which you qualify.

While you may have several sources of income protection, they are not likely to cover you in case of a long-term disability that prevents you from working in your own or related fields. Check your financial statement and cash-flow statement to see how much additional income you would need in the event of a long-term disability. Then shop for disability insurance, paying particular attention to three features:

- **Maximum benefit.** Disability Insurance can replace up to 60 or 70 percent of lost wages if you or your spouse cannot work due to a disability. Be sure that your benefit level is adequate to pay your essential living expenses.
- **Definition of disability.** Policies are written for "own occupation," which means the disability prevents you from working in your particular job or related fields, and "any occupation," which means the disability prevents you from engaging in any kind of gainful employment. "Own occupation" is more expensive because it provides more.
- **Waiting period.** All policies require a certain number of days of disability before benefits are paid. The longer the elimination period the lower the cost of your policy. A six-month waiting period substantially reduces your premiums.

e. Life Insurance

Do you need it? If you're single and have no dependents, probably not. But, if you're married and do not have adequate income sources in the event of widowhood, you may wish to purchase a life insurance policy on your husband (see the box below).

Married Women!

- Complete the Widowhood Analysis on page 58 to see if you need to insure your husband's life.
- You can own or co-own a policy on your husband's life. The advantage is control. Your husband cannot borrow against the policy, change the beneficiary, or surrender the policy without your consent.

What type of life insurance should you buy? Group life through an employer is normally the cheapest, but it may end upon retirement or termination from employment.

For private life insurance, your basic choices are term life and whole life. Term life is annually renewable and provides a death benefit only. Whole life provides a death benefit and an investment (cash value). Almost any consumer guide to life insurance recommends, "buy term life and invest the difference," because the death protection is much cheaper with term life. However, term life premiums climb rapidly and steeply for older people. If you need protection beyond age 74, you're better off locking in level premiums with whole life.

Another type of life insurance is universal life, which emphasizes the investment (cash value). We do not include universal life in this primer, because if it's purely savings you want, you're probably better off buying term life and investing in certificates of deposit (CDs) or other investment alternatives listed in Chapter IX.

For a comprehensive guide to life insurance, send for the free AARP booklet, *Product Report: Life Insurance for Older Adults* (see Reading List).

f. Homeowner's or Tenant's Insurance

If you own a home, make sure your insurance covers its replacement value (check your policy). Most policies have an 80 percent co-insurance provision, which means that 80 percent of the value of your home must be insured before the insurance company will pay 100 percent of any damage.

Whether a homeowner or tenant, insure your personal property for "replacement value"; otherwise you won't receive much for losses. If you have camera equipment, jewelry, or other valuable personal property, check with your agent to see if you need a special coverage for these items.

The liability coverage in your homeowner's or tenant's policy protects you in case you are responsible for harm to others or their property. Experts recommend that your liability limit be at least twice your net worth.

g. Automobile Insurance

Liability coverage (which is mandatory in some states) is the most important part of your auto insurance. An accident in which you are deemed responsible can result in catastrophic claims against you for property damage, medical expenses, loss of income, and pain and suffering. The higher your net worth and the more affluent you look, the more vulnerable you are to lawsuits.

Try to carry the higher of $300,000 total coverage per accident or two times the value of all your assets.

Auto premiums, like all other insurance premiums, vary considerably from company to company. Shop around. Practice the Rule of Three!

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If you've reviewed your insurance policies and completed previous action steps, your goals list must be getting pretty long. Good! These goals will keep you focused on what needs to be done to put your financial house in order. Keep up the good work!

VIII.

Deciding What If...?

Insurance	Estate Plan
Bank Accounts	Personal Credit
Reserve Fund	Spending Plan
Your Goals	Your Records

Your estate is everything you own. Your "Estate Plan" includes the tools required to indicate how you want your estate handled in the event of your incapacitation or death. It should be updated every few years or whenever there's a significant change in your life, such as widowhood, divorce, or a new marriage.

If you don't plan your estate, the courts will do it for you.

Review the next four action steps (12, 13, 14, and 15) and set the appropriate goals to:

- protect yourself in the event you become incapacitated;
- provide for your heirs the way you want;
- keep control of your financial life through widowhood, divorce, marriage, or remarriage; and
- get the legal help you need.

Action Step 12. Putting Your Legal Affairs in Order

Who will manage your finances if you become incapacitated? Who will receive your property upon your death? The right legal tools will enable you to take charge of these matters.

Take about 30 minutes to complete the estate planning checklist below. For every "no" answer, add at least one goal or task to your goals list. One question could lead to several goals. For example, the first question, "Have you given someone a durable power of attorney?," might lead to goals such as these:

- Write for the AARP booklet, *Tomorrow's Choices* (see Reading List).
- Talk to children and a lawyer about who to appoint as my representative for the durable power of attorney.
- Make an appointment with the legal clinic to discuss whether I really need a durable power of attorney.

Estate Planning Checklist

1. Have you given someone a Durable Power of Attorney? Yes__ No__

   A durable power of attorney enables someone to act on your behalf as your legal representative. If you suffered a stroke or other physical or mental disability, your legal representative could manage your finances. Your durable power of attorney can also cover health care matters, unless you choose to use a separate "health care power of attorney" (see the next question).

   For more information on the durable power of attorney and other legal tools (will, joint ownership, guardianship, etc.) send for the free AARP booklet, *Tomorrow's Choices: Preparing Now for Future Legal, Financial, and Health Care Decisions* (see Reading List).

2. Have you made a living will and/or a health care power of attorney? Yes__ No__

   A living will expresses your wishes regarding life support and health care decisions. Each state that has authorized its use has its own form. Check with your Area Agency on Aging (see page 48) or a local senior services agency. Your living will can be combined with a health care power of attorney.

   A health care power of attorney is a durable power of attorney that applies specifically to health care decisions.

   Send for the free AARP booklet, *Health Care Powers of Attorney: an Introduction and Sample Form* (see Reading List).

3. Have you prepared a Location of Documents form (page 12)? Yes__ No__

4. Are beneficiary designations correctly recorded on your life insurance policies, annuities, IRA, or other retirement plans? Yes__ No__

5. Check your property titles. Do they reflect your intentions and are they consistent with your will? Yes__ No__

   See "Types of Ownership" on page 20.

6. Have you made a will, and is it up-to-date? Yes__ No__

   Your will should be reviewed by a lawyer every two to four years or whenever a significant change occurs in your life or laws that affect you (e.g., a new child, relocation to a different state, or altered finances). If you move to a different state, your will may no longer be valid. States have different legal requirements for wills.

7. Do you need to set up a trust? Yes__ No__

   A trust is a tool for transferring property to a "trustee" who will hold or manage the property for your "beneficiary(s)." People use this tool to avoid probate, minimize estate taxes, provide management of funds in the event of incapacitation, protect dependents, and for many other purposes. A "living trust" is set up during your lifetime; a "testamentary trust" is set up after your death by your will. A trust can be either "irrevocable," meaning you can never change it, or "revocable," meaning you retain control of it. If it looks like a trust is appropriate in your situation, make it a goal to investigate this tool or see a lawyer.

8. Are you familiar with probate? Yes__ No__

   Familiarity with probate, the court-supervised procedure for settling an estate, will help you determine your estate planning needs. See the free AARP booklet, *A Consumer's Guide to Probate* (on the Reading List) and check your local library or bookstore for a guide to probate in your state.

Action Step 13. If You Are Married...

The emotional impact of widowhood should not be compounded by a financial crisis. Women are five times more likely than their husbands to become widowed. Are you financially prepared for widowhood?

1. Answer the following questions. For each "no" answer, note your goals and "to-do's" on your goals list.

   a. Are your husband's affairs in order—that is, could he answer "yes" to questions in the estate planning checklist above? Yes__ No__

   b. Do you have a six-month reserve fund in your name (individually, or as joint tenant with right of survivorship), for expenses such as:

   - three to six months' living expenses while waiting for Social Security survivor's benefits or for the estate to be settled? Yes__ No__
   - funeral, burial, and other final expenses? (These expenses can easily reach $4,000.) Yes__ No__

2. Complete Notebook Item 13 on page 58.
3. If your Widowhood Analysis shows that you would need additional income in the event of widowhood, what could you do now to prepare yourself? Write your answers or options to explore on your goals list.

   ___ buy life insurance ___ save money

   ___ develop job skills OTHER:_____

NOTEBOOK ITEM 13. WIDOWHOOD ANALYSIS

Turn to Notebook Item 13 on page 58. This is one of the most important statements for taking charge of your financial life. To complete it, you may need to go back and complete previous statements. Don't put this off, because it could save you a financial crisis should widowhood occur.

"My husband and I now have wills for the first time and we've kept the survivor's benefit from his pension. Thank goodness! I didn't realize we would lose life insurance coverage when my husband retires!"

A married woman, Seattle, WA

NOTEBOOK ITEM 13

WIDOWHOOD ANALYSIS

Date_____

1. If you were suddenly widowed, how much would your annual income be? Add up:

   Survivor's benefits:

Pension (see statement, page 17)	$_____
Social Security (see statement, page 15)	_____
Personal earnings	_____
Income from other sources, excluding assets	_____
Total	$_____

2. How much income could you get from assets?

   (a) Referring to your financial statement and life insurance, add up:

Savings and investments (excluding your reserve fund)	$_____
Life insurance proceeds	+_____
Total assets	$_____

   (b) Enter an interest rate that your money could earn (e.g., .07): x_____

   (c) Multiply (a) by (b) $_____

   Example: A lump sum of $50,000 earning 7 percent could provide $3,500 per year (50,000 x .07), leaving the principal untouched.

3. Total annual income—add lines 1 and 2c: $_____

4. Referring to your cash-flow statement, estimate your expenses for one year. Don't be surprised if your projected expenses are more than current expenses. You may need education and classes, therapy, a new wardrobe to begin a job, or travel money to be with family on holidays. $_____

5. Enter TOTAL INCOME (line 3) –_____

6. ADDITIONAL INCOME NEEDED $_____
   Subtract line 5 from line 4.

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Action Step 14. If You Are Facing Divorce...

Divorce at any age is traumatic. While emotions roller-coaster up and down, you must keep your financial feet on the ground. On average, a woman's standard of living drops sharply as a result of divorce while a man's rises. Good planning on your part can be the key to a settlement that meets your needs.

Planning a divorce after a long marriage takes time—usually a year or more. Make no decisions and sign nothing until you have adequately covered the following steps.

Steps for Planning Your Divorce

1. Obtain your own separate bank card. Do this before you file for divorce if possible, as it is usually more difficult to get credit once a divorce is underway (see Chapter VI).

2. Pull together a team of professionals at the outset to help you through the process. Most people in divorce need four professionals on their team:

- **A therapist or counselor.** You'll need emotional support. You may also need guidance on matters such as education or job training, where to live, and how to prepare your children. The women's programs at community colleges and YWCAs provide referrals, counseling, and group support.
- **A financial counselor.** If you've completed the previous action steps, particularly your statements (see Action Step 4, beginning on page 14) you have a good grasp of your financial situation. This is an important step to take before seeing a financial counselor or an attorney. However:
  - If you need help assembling your financial information, a financial counselor can assist you.
  - If your spouse refuses to provide important records or information, a lawyer can get it for you.

  With adequate financial information, a financial counselor or financial planner can help you determine your financial needs after divorce and come up with an adequate property settlement proposal. Before you hire a financial counselor or financial planner, read Chapter X, "Getting Help With Your Finances."

- **A tax accountant.** If you receive appreciated assets in your settlement (such as a home, stocks, or mutual funds), the actual value of these items may be substantially reduced because of the federal income taxes that may be due after the property is sold. Also, special tax rules apply to spousal income or alimony. Be sure to have an accountant advise you of tax consequences before you agree to a property settlement.
- **A lawyer.** Legal help is essential for protecting your rights. Don't make the mistake of using the same lawyer as your spouse. Each person needs representation. Choose a lawyer who has experience in cases similar to yours, is sympathetic to your values, and has a good record of settling divorce cases out of court. See Action Step 16, "Getting Legal Help," on page 63.

3. Inform yourself! A good place to start is the free AARP booklet, *Divorce after 50: Challenges and Choices* (see Reading List), which addresses the emotional and financial aspects of divorce. If you or your husband has a pension, you might also want to send for the book *Your Pension Rights At Divorce* by Anne E. Moss (see Reading List).

Also, if you have questions about your pension rights at divorce, contact the Clearinghouse on Pensions and Divorce for assistance. Call 202-296-3779, or write to: 918 16th Street N.W., Suite 704, Washington, DC 20006 (see the box on page 16).

Also, check your local bookstore, library, and Cooperative Extension Service (look under "county government" in the telephone directory) for books on divorce written specifically for your state.

4. Take an active role in negotiating your property settlement. Keep your lawyer informed about your needs and require him or her to keep you informed about all aspects of the proceedings. Pay attention to all aspects of your settlement, including:

- **Division of property.** The rules for awarding property have changed dramatically in recent years. One trend is to consider marriage as an economic partnership regardless of who earned the money. Another is to recognize the "intangible property" as a marital asset. Intangible property includes: pension and retirement benefits, educational degrees or professional licenses, goodwill value of a business or profession, and life insurance.

- **Spousal income.** Today, "temporary maintenance" is often awarded to help the dependent spouse through education and training programs to become employable. For midlife and older women who have had little or no experience working outside the home, such provisional support may not be adequate. If the following circumstances apply, it may be worth your while to explore the possibility of spousal income with your lawyer:
  - You sacrificed your earning potential or left an occupation (and perhaps pension and social security benefits) to assume the homemaker role.
  - You contributed to your husband's earning capacity by helping in his career directly or by providing domestic services which freed him to pursue his career.
  - Your age, health factors, or lack of job skills prevent you from earning a living.
- **Insurance.** Particularly important are life insurance and health insurance.
  - If life insurance on your husband is needed to secure his financial obligations to you, you may wish to own the policy (see the box on page 50).
  - Under federal law (COBRA 1986), you may be able to continue your health insurance coverage through your husband's employer for 36 months (see the box on page 46). However, be sure you can qualify for your own policy. Pre-existing conditions could make it very difficult for you to obtain insurance before you reach age 65 and become eligible for Medicare. To prevent a gap in coverage, some couples decide to postpone the divorce decree until the dependent spouse qualifies for medicare.

Action Step 15. If You Marry or Remarry...

Contracts, prenuptial agreements—how unromantic! But what could be a more loving sentiment than: "I care enough about this marriage to plan our finances"?

So that you won't lose control of your finances because of marriage, handle the following issues before the wedding day.

1. Full disclosure. Each partner should make a complete financial statement and cash-flow statement. Go over these statements together until you completely understand them.

2. Where to live. Each person independently should list the personal advantages and disadvantages of housing alternatives. Include emotional as well as financial considerations.

3. Tax exclusion for sale of home. If either of you owns a home, research the tax consequences of selling. Each single person over the age of 55 is entitled to a one-time exclusion of up to $125,000; a married person is entitled to the same exclusion only if neither spouse has ever taken it. Consult with the Internal Revenue Service (IRS) or an accountant.

4. Insurance. Do beneficiaries on either of your life insurance policies need to be changed? Do your combined employee-group and private plans provide adequate life and disability insurance? Evaluate your entire insurance program with a well-qualified agent or broker.

5. Estate Plans. How do you and your partner wish to provide for each other in the event of death? Do either of you have other heirs to consider? Will you maintain separate property, separate retirement funds, or separate brokerage account? Be sure to review the beneficiary designations on all your retirement funds and to make new wills.

6. Separate or joint accounts. Discuss your alternatives, such as:

- Put all income in a joint checking and/or savings account with right of survivorship. (If you do this, decide how you will handle personal spending money.)
- Maintain separate accounts, both paying into a common household account for shared expenses.

Whatever you decide, each partner should have access to money in the event of an emergency or in case one partner leaves the marriage.

7. Money management. Key issues to settle include who will pay the bills, keep records, and take responsibility for tax returns.

8. Legal review. Go over your agreements and concerns with a lawyer who specializes in family law. If you've done your homework, the attorney can tell you probably within 30 minutes if a prenuptial agreement is needed. See Action Step 16 below.

Action Step 16. Getting Legal Help

Estate planning requires legal assistance. Even if you write your own will or try to do your own divorce, you should have a lawyer review the documents to see that they are legally valid and free of ambiguities or other potential legal problems. A small error in a will can cause expensive delays or chaos in settling the estate.

No lawyer is an expert in all areas of law. Look for one who specializes in your area of concern. Get referrals from friends, other professionals, senior centers, and women's programs at community colleges.

Don't let legal fees deter you from getting the legal help you need:

- The federal government's Legal Services Corporation funds offices across the nation to serve low-income clients.
- Look in your telephone directory for Legal Aid Societies.
- Your local Area Agency on Aging may be able to refer you to an appropriate legal service.
- Contact your local Bar Association's referral service. Many Bar Associations provide a one-half hour consultation with a lawyer for $20.00.
- Many lawyers have a special rate for drafting a will.

A useful guide on how to hire a lawyer is included in the free AARP pamphlet, *Money Matters®: A Guide to Selecting and Talking with Financial Planners, Attorneys, Real Estate Agents, and Accountants* (see Reading List).

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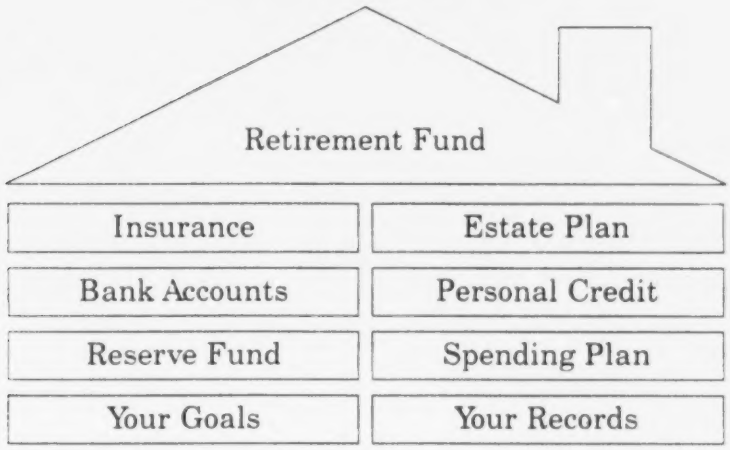
IX.

INVESTING FOR RETIREMENT



In 1990 the median income of women 65 and older was approximately $670 per month, including wages, Social Security benefits, pension benefits, and investment income. Women need to "plant" money in savings and investments for income in their older years.

The three action steps in this primer will help you:

- Set a goal for your retirement income.
- Identify options for increasing your "Retirement Fund," which includes all the savings and investments you have earmarked for retirement.
- Choose appropriate investments.

You may feel that you don't have enough money to be concerned about a retirement fund. Don't let this feeling stop you from completing the following action steps. You'll be surprised at what you can do when you clarify your needs and options.

Action Step 17. Setting a Goal for Your Retirement Income

Whether you're already retired or several years away from it, complete the worksheet on page 67 to evaluate the income potential of your existing resources. This worksheet should be redone each year to keep your planning abreast of inflation and changes in your finances. Here's how to complete it:

1. Retirement Income Need. Refer to your cash-flow statement (page 25) and estimate how much income per year you'll need when you retire. Most people find that they need at least 70 to 80 percent of their pre-retirement income. Use today's prices.

If you're already retired and do not have enough income, estimate how much you need.

2. Retirement Fund: How much do you have now in savings and investments that you can earmark for your retirement fund? Refer to your financial statement. Include your pension only if you expect to receive a lump-sum payout instead of a monthly payment (monthly payments go on line 5). Total up these savings and investments and enter the total on line 2 of the worksheet.

> **Retirement Fund:** The savings and investments you have earmarked for your retirement.

3. Annual Income from Retirement Fund. You'll need to determine an average rate at which you believe your assets can produce income. If you're not sure how to do this, call a bank or brokerage firm and find out the rate of return on one-year certificates of deposit (CDs) — or simply choose an interest rate that you believe your money can average over the years. Then, on the worksheet, multiply your retirement fund, as shown on line 2, by the interest rate.

Example: Line 2, Retirement Fund:	$50,000
Interest rate	.08
Annual Income from Retirement Fund	$ 4,000

4. Social Security Income. Refer to your Social Security Benefits Statement (page 15). Multiply monthly payments by 12 and enter the annual amount on line 4.

5. Pension Income. Refer to your Pension Benefits Statement (page 17). Multiply your monthly benefit by 12 and enter the annual amount on line 5. (List pension income here only if you expect to receive monthly payments. If you expect a lump-sum payout, your pension goes on line 2.)

6. Other Income. Add together any other annual income you expect to receive, such as rent, trust income, alimony, or royalties. Enter the total on line 6.

7. Total Income. Add up the totals for lines 3, 4, 5 and 6.

8. YOUR GOAL. Now subtract line 7 from line 1 to see if you'll need more retirement income. Chances are, you'll need plenty more than your current resources can provide. Don't despair! Action Step 18 (on next page) will help you explore ways to reach your goal.

*Worksheet for Action Step 17
Setting a Goal for Your Retirement Income

1. Retirement Income Need $_____
2. Retirement Fund $_____
3. Annual Income from Retirement Fund
   Line 2, Retirement Fund: $_____
   Interest rate x_____
   $_____
4. Social Security Income (annual) _____
5. Pension Income (annual) _____
6. Other Income (annual) _____
7. Total Income (add lines 3, 4, 5 and 6) $_____
8. YOUR GOAL (additional income needed)
   Subtract line 7 from line 1.
   Line 1: $_____
   Line 7: –_____
   $_____

*Complete this worksheet every year.

Action Step 18. Exploring Options

Starting with the options below, brainstorm what goals you can set to increase your retirement income. Be creative!

___ Allow existing assets to continue to grow. This option is appropriate if you have a few years to go until you retire.

___ Get higher returns on your savings and investments. This can make a big difference! If you have $10,000 in a savings account earning five percent, it can produce $500 per year; but if you move this savings to a certificate of deposit (CD) earning eight percent, it can produce $800. Higher returns (e.g., interest or dividends) produce a higher income and make your savings grow faster!

We'll be looking at ways to invest your money in a moment.

___ Save money each month. The challenge is to figure out how to get extra money to save. Could you cut expenses? Rent out a room in your home? Take a part-time job?

___ Extend your working years to allow more time for your investments, Social Security benefits, and pension benefits to grow.

Action Step 19. Selecting Investments

Nine guidelines will help you make wise decisions.

Investment Guideline 1. Invest Only in What You Understand

If all you know about now is savings accounts, fine! Any financial institution (i.e., credit union, savings and loan association, or bank) will help you set up a savings account or an IRA (see page 73) to begin your investment program. Some people successfully reach their retirement income goals using only savings accounts and other guaranteed investments (such as certificates of deposit (CDs) available at their local financial institution.

But don't be content until you know what opportunities you may be missing. When you understand the basic types of investments listed below, you might choose to stay with your current choices, but you'll be making an informed decision. That's what taking charge is all about!

Investment Guideline 2.
Learn About Investments

Begin with a good book on investing. A fun investment primer is *(Still!) The Only Investment Guide You'll Ever Need*, by Andrew Tobias. Also, a wide range of investments are defined in *The Lifetime Book of Money Management*, by Grace W. Weinstein. (See Reading List.)

You should know the difference between loanership investments and ownership investments and the basic alternatives in each category. Everyone learns about loanership investments first, because this category includes savings accounts.

Loanership Investments are generally the safest types available if they are insured by the federal government (e.g., FDIC-insured accounts) or issued by a financially stable company (e.g., companies rated A or better in authoritative research reports such as *Moody's*, *Standard and Poor's*, *Duff & Phelps* or *Best's Insurance Reports* (see rating services on page 45).

With loanership investments, you lend your money to a bank, government agency, or corporation which, in turn, promises to pay back your principal (original deposit) plus interest.

- **Certificates of Deposit (CDs)** are sold with maturity dates (usually from three months to five years) and usually pay a higher interest rate than money market funds. They're available at all types of financial institutions. Be sure your CDs are FDIC-insured.
- **Money Market Accounts** are like high-interest bearing savings accounts. The money you deposit is invested in short-term securities (such as T-Bills and corporate bonds). Money market accounts usually require a minimum deposit of at least $1,000 and are available at most financial institutions. Be sure that the account is FDIC-insured.
- **Money Market Funds** are similar to money market accounts, except that they're mutual funds (see definition below) and therefore pay a dividend instead of interest (see the box below). The dividend tends to be higher than the interest on money market accounts. The minimum deposit is usually from $250 to $1,000. You buy into a money market fund, or sell, at $1.00 per share. This price does not fluctuate. Although not guaranteed by the federal government, money market funds are considered quite safe. Mutual funds are available at brokerage funds and mutual fund companies.

  Note: For additional safety, you may wish to invest in money market funds that contain only U.S. government securities.

Interest: A return on loanership investments. It's the money the lender (bank or issuing organization) pays you for the use of your money.

Dividend: A return on ownership investments. It's a distribution of profits to the investor.

- **Treasury Bills (T-bills)** are a type of U. S. government bond, and therefore are one of the safest types of investments. They have a "face value" (see the box below) of $10,000, which is the amount you receive on the "maturity date" (see box below); but you buy them at a discount. The interest is the difference between the discount price and the face value.

  If purchased directly from the Federal Reserve Bank, T-bills mature in three, six, or twelve months. If purchased on the secondary market (through a broker), you can buy them with maturities almost anywhere from a few days to a year.

  You can obtain T-bills with no commission from the Federal Reserve Bank or you can get them for a small fee through other financial institutions.

Maturity Date: The date on which the bond issuer promises to return your money at face value.

Face Value: The amount shown on the bond. The issuer pays you the face value when the bond matures.

Market Value: The amount you'll receive if you sell a bond before maturity. Bond values fluctuate according to the rise and fall of interest rates in general. The further away the maturity date, the more the market value is likely to fluctuate.

- **Series EE Bonds**, another type of U.S. government bond, pay a minimum of six percent if held to maturity; if held for over five years, the interest rate is usually higher. Tax on the interest can be tax-deferred until the bond matures or you cash it in. You can obtain Series EE bonds with no sales fee at a Federal Reserve Bank; or you can buy them for a small fee at other financial institutions.

- **Municipal Bonds** are issued by local governments. They are exempt from federal taxes. If issued in your own state, they are also exempt from state income taxes.

  The interest on municipal bonds is normally much lower than on corporate bonds; but you can often come out ahead if your tax rate is 28 percent or higher.

  Although municipal bonds may be guaranteed by the issuing government, it's safest to purchase only those rated A or better by *Moody's* or *Standard & Poor's* (see rating services on page 45). They're available from brokerage firms. They can also be purchased in the form of mutual funds (see below).

- **Corporate Bonds** are guaranteed by the issuing corporation. If the corporation goes bankrupt, you could lose money. Usually, the lower the bond's rating, the higher the interest rate and the higher your risk. You can purchase corporate bonds through brokerage firms or buy them in the form of "mutual funds" (see below under OWNERSHIP INVESTMENTS).

- **Tax Deferred Annuities (fixed)** are contracts with insurance companies. In return for the deposit of your money (usually a minimum of $5,000), the insurance company pays you a competitive interest rate, and the interest is tax-deferred until you withdraw it.

  In an annuity, your money is backed by the financial strength of the company, so it is important to purchase annuities only from companies rated A or better by an authoritative source, (see page 45 for rating sources).

  Restrictions apply: withdrawals of the interest before age 59½ may be subject to an IRS penalty of 10 percent; and the insurance company may charge a surrender fee if you withdraw money within a certain number of years (usually five to seven years). The IRS penalty and surrender charge don't apply if the money is withdrawn in the form of a lifetime annuity (e.i., monthly payments for the rest of your life).

  Annuities are available through brokerage firms and other financial institutions. Some annuities can be purchased directly from the insurance company.

Ownership Investments are bought and sold. They do not guarantee your principal or a rate of return as do loanership investments that are held to maturity. Instead, their values rise and fall with business, market, and economic conditions, thus putting your money at risk.

A basic type of ownership investment in many retirement funds is stocks.

- **Stocks** are shares of ownership in a company. Most pay a dividend, which is your share of the company's profit. There are different types of stocks, and it is important to learn their relative merits. "Blue chips" are well-established companies with a long history of steady earnings. "Utilities" tend to pay a relatively high dividend. "Aggressive growth stocks" tend to carry a relatively high risk and a relatively high potential for profit. And there are other categories.

  Commissions are charged each time you buy or sell a stock. If you do your own research, you can save on commissions at a discount brokerage (look for "discount broker" in the ads in the Yellow Pages).

  An excellent resource for learning how to invest in stocks is the National Association of Investment Clubs (NAIC). For a nominal fee, NAIC will provide you with stock study procedures, tell you how to start an investment club, and send you their newsletter, *Better Investing*, for their free brochure, write to: NAIC, 1515 East Eleven Mile Road, Royal Oak, MI 48067.

While stocks can be purchased individually, they can also be purchased in the form of mutual funds.

- **Mutual Funds** are pools of investments that are professionally managed. Mutual funds containing short-term loanership investments are called "Money Market Funds." There are also "bond funds," "stocks funds," and combinations.

  Mutual funds are sold in shares. With the exception of money market funds, the price per share fluctuates according to business, market, and economic conditions. Because mutual funds contain many investments, they tend to be safer than individual stocks or bonds. The minimum investment is usually from $250 to $1,000.

  Mutual Funds are available through brokerage firms and directly from mutual fund companies. Many leading mutual funds are sold with no commissions. These are called "no load" funds.

  To learn about mutual fund investing, a good resource is the nonprofit organization, American Association of Individual Investors (AAII). With membership ($48) you get their excellent book, *Guide to No Load Mutual Funds*, and their monthly journal. Write to AAII: 625 North Michigan Avenue; Chicago, IL 60611; or call them at 312-280-0170.

Also, the leading money magazines provide special issues that explain mutual funds and give the performance records of the leading funds. These magazines include *Money Magazine*, *Changing Times*, and *Consumer Reports*. A librarian can help you find key issues.

Why invest in ownership investments when you can keep your money in guaranteed loanership investments? Over the long run, ownership investments are more profitable than loanership investments. The authoritative research by Ibbotson Associates in Chicago indicates that since 1926 stocks have yielded 6.7 percent over the inflation rate, compounded annually, compared to 1.4 percent for long-term government bonds.

You'd never want to put all of your money in ownership investments; but for money you may not need for several years, it makes sense.

Investment Guideline 3. Allow Time for Ownership Investments

Periodically, the value of ownership investments will trend downward and stay down for a few years. So don't go into ownership investments with the hope of quick profits. Look for gains over five-to-ten year periods.

Investment Guideline 4. Diversify

In other words, don't put all your eggs in one basket. This rule is particularly relevant if your retirement fund contains ownership investments. You want your retirement fund to keep increasing regardless of fluctuations in the values of your investments. Some homework, or the help of a financial planner or investment advisor, can help you with diversification.

Investment Guideline 5. Consider Your Partner, Uncle Sam

The federal government reaps a profit from your taxable investment earnings in the form of income taxes. But the tax rules also provide opportunities to increase your share. For long-term investing, the most popular tax shelter is the Individual Retirement Account (IRA).

IRAs have two tax advantages. First, you are not taxed on investment earnings in an IRA account until you withdraw them. Second, unless you or your spouse has a qualified pension, you can deduct your IRA contribution (which can amount to $2,000 per wage earner, or $2,250 for a wage earner and his or her non-earning spouse) from your taxable income. If you (or your

spouse) have a qualified pension plan, you will be entitled to the deduction or a partial deduction if your adjusted income is below a certain limit (in 1991, the limit was $35,000 for individuals and $50,000 for couples filing jointly).

IRAs are available at all types of financial institutions. Depending on the financial institution, you can fund your IRA with CDs, T-bills, money market funds, stocks, bonds, mutual funds, and many more types of investments.

If you are under 70½ and still working, there's probably no good reason for you not to have an IRA. You can learn more about IRAs from any financial institution that has them. Ask about spousal IRAs, too. A non-earning spouse can contribute to an IRA from her spouse's earnings.

Other popular tax shelters include annuities and municipal bonds (see definitions on page 71).

Investment Guideline 6. Stay Ahead of Inflation.

Inflation is an overall rise in the cost of living as measured by the U. S. Department of Labor's consumer price index. Between 1956 and 1990, inflation averaged 4.66 percent per year.

If the inflation rate is 4.66 percent and you have $100 in the bank, in one year the real value of your $100 will decrease to $95.34. This means that your savings will need to earn 4.66 percent just to break even with inflation, and that doesn't take taxes into consideration. If your tax rate is 15 percent, your break even point, after taxes and inflation, is 5.48 percent (6.47 percent for a 28 percent tax rate and 6.75 percent for a 31 tax rate).

While inflation erodes the purchasing power of your money, it benefits many types of investments. As prices trend upward, so do the prices of stocks, real estate, and other ownership investments. Also, during periods of high inflation, interest rates may go up on money market funds, certificates of deposit (CDs), and bonds.

Investment Guideline 7. Shift Toward Safety As You Near Retirement

This rule assumes that when you retire you will need to rely on most of your retirement fund for income. If this is the case for you, then you will want to shift your retirement money toward loanership investments as you

near retirement. The idea is to protect yourself from market drops at a time when you may need to sell assets.

Investment Guideline 8.
Don't Fall Prey to Salespeople

People who sell investments earn their living from commissions. Many solicit sales over the telephone. Some have been found guilty of "churning," the fraudulent practice of talking someone into selling an investment only to re-invest the proceeds to earn more commissions. Also, some have bilked people out of money through outright theft. To protect yourself:

- **Always ask about commissions.** Knowing how much the salesperson will receive helps you understand why certain investments are recommended over others. Ask the salesperson to send you the statement from his or her firm showing the gross commissions received by the firm as a result of your investments.
- **Get your investment or financial planning advice from a fee-only planner:**
  - "Fee-only planners" sell no products. They earn their living from fees only.
  - "Fee-based planners" receive fees for advice and commissions on the products they sell.
  - "Commission-only planners" earn their living from commissions on the products they sell.
- Check out the salesperson.
  - Call your state securities division and ask if any complaints have been filed against the salesperson or his or her firm.
  - Ask to see the salesperson's "ADV," a report that Registered Investment Advisors are required to file with the Securities Exchange Commission. Review it carefully as to educational background, work experience, and any legal or financial problems disclosed.
  - Contact the National Association of Securities Dealers (NASD) to obtain registration and disciplinary information on the salesperson or firm: NASD; Public Disclosure Program, P.O. Box 9401, Gaithersburg, MD 20898. Telephone 301-590-6500.
- **Never make your check out to a salesperson.** All payments should go to the investment company that markets the product or directly into your investment account.

- **Keep good records of your investment transactions.** The following steps will provide you a "paper trail" in case of disputes.
  - Keep the original signed copy of the "New Account" form. Never accept a copy.
  - Keep the original signed statement of every investment transaction in a file;
  - Keep all written correspondence between you and the salesperson or advisor in a file.
  - Make and date notes covering your instructions to them and their acknowledgement of those instructions. Also note any promises or assurances given to you regarding investment results.
  - Be extremely cautious in signing a discretionary account agreement or "power of attorney" with a broker. In general, don't do it!

Investment Guideline 9.
Never Marry an Investment!

An investment is not something to keep for better or worse. A stock inherited from Grandpa Jones may have sentimental value for you; but if you include it in your retirement fund, keep it or sell it depending on its merit as an investment. And never assume that once you've made an investment you're stuck with it forever. The only reason to invest is to make money. If the value of an investment goes down, evaluate whether to hold it or sell it. However:

- Remember that the value of ownership investments fluctuate and that it sometimes takes years to make a profit. Invest for the long term.
- You may wish to hang on to an investment because you expect market or economic conditions to improve.
- You may wish to hold an investment to avoid the capital gains tax. This can be a good idea if the investment continues to hold its value. For example, if you sell an investment before your death and make a profit (capital gain), you'll have to pay an income tax on the capital gain; but if you pass the investment on to an heir after your death, the IRS allows the heir to replace the original cost basis of the asset (the purchase price) with a "stepped up value" (the value at the time of inheritance). The stepped up value wipes out the capital gain that occurred before the date of inheritance.

X.

Getting Help With Your Finances

Knowing when and how to get help when you need it is vital to good money management. There are many places to turn to. In general, you'll want financial counseling or financial planning services.

Financial counseling deals with specific problems, such as debt management, financial problems associated with divorce or widowhood, or budgeting. Free or low-cost financial counseling services are available:

- The Cooperative Extension Service in your area may have a financial counseling program, workshops, and money management materials. (Look under "county government" in the telephone directory.)
- Many local senior centers and senior service agencies provide workshops on estate planning, medigap, long-term care, and other issues.
- The Consumer Credit Counseling Service in your area provides assistance on budgeting and helps people with too many debts make special arrangements with creditors.
- Financial institutions, real estate firms, insurance firms, and tax services help people with specific problems, but one must understand that their "free advice" may be slanted toward the products and services they sell.

Financial planning deals with your total financial picture. You have been engaged in financial planning throughout this primer if you've been completing the action steps. The notebook items, especially the statements, prepare you to do your own planning or to work with a professional financial planner.

A professional financial planner can:

- assess your financial history, such as tax returns, investments, retirement plan, wills, and insurance policies, to evaluate your financial situation. (Keep in mind that only attorneys can give legal advice and only tax advisers (accountants, CPAs, tax attorneys) should give tax advice.

- help you identify your financial needs and ways to strengthen your financial situation, such as build up a retirement fund, improve your investment returns, or upgrade your insurance.
- formulate a written financial plan based on your goals and financial situation.
- help you implement your financial plan, including referring you to specialists, such as lawyers or accountants.
- review your financial plan periodically and suggest changes as needed.

How to Hire a Financial Planner

Choose your planner as carefully as you would an attorney or physician. You want someone with whom you can build a relationship of trust over a long period.

Steer clear of a professional who is also your friend, relative, church or club associate, or other close relationship so that you can maintain or sever the professional relationship based on the quality of service alone. Otherwise, you may find yourself suffering through dissatisfactions because you cannot bear to fire "cousin Harry" or your daughter.

Ask friends and other professionals for recommendations. However, don't hire someone on the basis of a recommendation or referral alone. Conduct interviews with at least three professionals to find one who meets your standards on the following questions for the interview. See NAPFA Interview Form on page 86.

What to Ask Before You Hire a Financial Planner

1. Number of years as a financial planner. At least three years' experience as a financial planner is important. If a planner moved into financial planning from a related field, such as insurance, real estate, or banking, you still want them to have a track record as a financial planner.

Note: Many insurance agents, real estate brokers, and accountants call themselves a "financial planner" when they've not actually been trained as one. See the next guideline.

2. Professional training. Few states have regulations for the financial planning industry. Look for credentials, such as Certified Financial Planner (CFP), Chartered Financial Consultant (ChFC), or Registry of Financial Planning Practitioners. These credentials indicate that the planner has successfully completed a rigorous training program.

3. Fees. Most planners will give you an initial 30 minutes free of charge. "Fee-only planners" charge an hourly fee and refer you to firms that sell investments. "Fee-based planners" may charge you an hourly fee for planning and receive a commission for selling a product. "Commission only planners" are paid only from the commissions they receive on investments you make. Ask for the disclosure of fees and commissions in your interview.

Fees range upwards from $60 an hour, and many planners charge minimum fees of $500. Commissions on investments often run between four and ten percent.

4. Written contract. For on-going relationships, ask if the planner will provide a written contract that lists the tasks he or she will perform and a statement of how charges are made. A contract will clarify the planner's obligations and help avoid misunderstandings.

5. Monitoring. Ask if the planner will contact you periodically to let you know how your accounts are doing and how often these contacts will occur. Ask also if the planner will provide you with:

- a statement showing a reasonable performance standard for your investments;
- a periodic statement showing the rate of return on your investments compared to the standard; and
- a semi-annual statement showing the "gross" commissions and fees that the planner has earned on your account.

6. Clientele. Are the planner's other clients in a situation similar to yours? Some specialize in professionals, such as dentists and doctors.

7. Size of a typical account. If most of the planner's accounts are larger than yours, he or she may not want to devote much time to you.

8. Use of other professionals. A financial planner is a generalist, not an expert in taxes, pensions, or legal issues. Will you be referred to other professionals?

9. References. Ask for references to clients who have at least three years' experience with the planner. Talk to several. Ask these clients what they would most improve about their relationship with the planner.

For more guidance about hiring and using the services of a financial planner, send for the free AARP booklet, *Facts About Financial Planners*. For hiring lawyers, financial planners, tax preparers, and real estate brokers, send for the free AARP booklet, *Money Matters®*. (See Reading List).

TIPS

- **Ask about commissions.** Always ask the salesperson how much he or she will receive in commissions. This will help you avoid "steering," the unethical practice of steering consumers toward products that bring the highest commission.
- **Don't allow "churning."** When a salesperson suggests you sell investments, be sure to investigate thoroughly the reasons why. This will help you avoid "churning," the fraudulent practice of selling investments only to generate more commissions.
- **Never give your broker or salesperson** a power of attorney or written permission (discretinary powers) to execute orders for you. If you do, you lose control of the account and the broker can buy and sell your investments and generate as many commissions as he or she wants.
- **Never make your check out to the salesperson.** The check should always be made out to the brokerage firm (if the money is to go into your account) or to the investment company that issued the investment.
- **Use a fee-only financial planner or investment advisor.** When advice is what you're after, get it from a person who will not be selling you a product. Such people earn their living from fees instead of commissions. Fees buy planning services and advice only.
- **Screen your sales person.**
  - **Review the Form ADV.** Anyone who sells investment products must be a Registered Investment Advisor. Ask to see the person's Form ADV, which every Registered Investment Advisor is required to file with the Securities Exchange Commission (SEC). Review the ADV carefully for educational background, work experience, and any legal or financial problems disclosed.
  - **Contact National Association of Securities Dealers (NASD).** On request, NASD will send you an "Information Request Form." By completing and returning this form (with $20), you can obtain registration and disciplinary information on any individual or firm who is a member of NASD.

    NASD, P.O. Box 9401, Gaithersburg, MD 20898-9401
    Attn: NASD Public Disclosure Program
    Telephone: (301) 590-6500

Where will you go from here?

Managing one's finances is a lifetime journey. If you've completed the work in this primer, your journey is in full swing. Keep going! And if an interruption occurs, you can always pick up this primer, retrace your steps, and be on your way again.

To stay in charge of your finances, keep reaching out for information and support. Use the reading list at the end of this primer to continue your financial education. Make a habit of glancing through the financial pages of your newspaper. Watch a money talkshow on TV, or listen to one on the radio. Subscribe to a financial magazine, such as *Family Wealth* (from the editors of *Money*) or *Changing Times*; or a woman's magazine with a regular financial column, such as *Woman's Day* or *Family Circle*.

Hire professionals when you need them. Take classes and seminars through your local community colleges (look for their community service and women's programs listings), YWCA's, libraries, senior centers, and other organizations.

Many nonprofit organizations are offering the AARP Women's Financial Information Program (WFIP), a seven week seminar in a lecture/workshop format. This primer is a derivative of the money management workbook written especially for the program. To find a WFIP program in your area, write to AARP/WFIP, 601 E. Street N.W., Washington DC 20049, or call your AARP Area Office (see AARP Area Offices on page 85).

The key to staying in charge is: DO THE ACTION STEPS in this primer. Keep your financial notebook and goals list up-to-date. Knowing where you are now and where you want to be enables you to plan your journey and stay on course.

Bon voyage!

You're never too old to learn!"

An 82-year old woman, Atlanta, GA

Reading List

I. BOOKS

The Lifetime Book of Money Management by Grace W. Weinstein (1987, New American Library, 620 pages, paperback $13.95). Covers all the basic areas of money management, including life-cycle planning, marital finances, budgeting and recordkeeping, insurance, investment strategy, estate planning, and retirement planning. A good book to read and to keep in your library for reference. No longer available from book stores. Your local library may carry it.

(Still!) The Only Investment Guide You'll Ever Need by Andrew Tobias (Bantam, 1987, 180 pages, $4.50). This humorous, practical, easy-to-read primer is a good place to start your education on investing.

Winning the Insurance Game by Ralph Nader and Wesley J. Smith (Knightsbridge, 1990, 538 pages, hardcover $24.95). This consumer guide covers auto, health, home, and life insurance. It tells how to compare competing policies by examining their cost and scope, the firms' financial soundness, and their record of complaints. It also explains what services to expect from an insurance agent and lists policies you don't need, such as mortgage insurance and life insurance for children.

Your Pension Rights at Divorce by Anne E. Moss (200 pages, available from Pension Rights Center for $14.50; send to Pension Rights Center, 918 - 16th Street N.W., Suite 704, Washington, DC 20006). Provides easy-to-understand information about six federally-regulated retirement systems—Social Security, Private Pensions, Civil Service Retirement, Military Retirement, Railroad Retirement, Foreign Service—and explains what you need to know about state divorce laws.

Women & Money: The Independent Woman's Guide to Financial Security for Life by Frances Leonard (Addison-Wesley Publishing Company, Inc., 1991, paperback, $12.95). Written by an activist lawyer and former legal counsel for the Older Women's League, this book gives specific information and checklists that offer guidance on a wide range of issues affecting a woman's financial future.

II. AARP PUBLICATIONS

For a free copy of the following brochures, note the title and number and send your request to:

AARP Fulfillment
601 E Street N.W.
Washington, DC 20049

Allow six to eight weeks for delivery.

Before You Buy: A Guide to Long-Term Care Insurance (D12893). This AARP booklet tells you what to look for in long-term care insurance and provides checklists for comparison shopping.

A Consumer's Guide to Probate (D13822). Explains the probate process.

Divorce After 50: Challenges and Choices (D12909). This practical and sensitive booklet is designed to help mid-life and older women examine the issues particularly related to late-life divorce, undertake the necessary financial and legal tasks associated with divorce, and accept and work through the range of powerful emotions that typically occur as a result of divorce.

Facts about Financial Planners (D14050). Tells what homework to do before seeing a financial planner, how to interview one and negotiate fees, and where to file a complaint.

Final Details (D14168). Tells survivors what to do when death occurs; addresses the problems of collecting papers, claiming benefits, probate, estate and inheritance taxes, changing ownership or titles, credit cards, professional assistance, and where to find support.

Group Health Insurance Continuation Act: Know Your Rights (D14023). Explains how federal law (COBRA 86) may help you keep your employer-based health insurance in the event of unemployment, divorce, widowhood, or retirement of a spouse.

Life Insurance for Older Adults (D14139). Explains whole life, term life, and universal life insurance and compares many different policies.

Making Wise Decisions for Long-Term Care (D12435). Describes various long-term care services, including publicly-funded services. It explains what Medicare and Medicaid will cover and where the gaps are.

Medigap: Medicare Supplement Insurance (D14042). Explains how Medicare and Medicaid relate to private health insurance and how to compare medigap policies.

Money Matters* **(D12380).** Provides tips on how to select lawyers, financial planners, tax preparers, and real estate brokers.

Tax-Free Investments (D13812). Explains the tax implications of municipal bonds and tax-deferred accounts.

Tomorrow's Choices (D13479). For long-term care planning; includes housing options, health care options, financial guidelines, and estate planning tools.

A Woman's Guide to Pension Rights (D12258). Tells how to get information about your (or your spouse's) pension, questions to ask, and how the Retirement Equity Act of 1984 protects spouses in the event of divorce or widowhood.

Bank and Insurance Company Rating Organizations

There are various organizations that rate the financial stability of financial institutions and insurance companies. You may wish to obtain information from more than one source in order to compare their research services.

Banks

Veribanc, Inc.
P.O. Box 461
Wakefield, MA 01880

The Bauer Group
P.O. Drawer 145510
Coral Gables, FL 33114-5510

Insurance Companies

A.M. Best
Amherst Road
Oldwick, NJ 08858
(908) 439-2200
1-900-420-0400

Duff & Phelps Credit
Rating Company
55 E. Monroe Street, Suite 3600
Chicago, IL 60603
(312) 263-2610

Moody's Investors Service
99 Church Street
New York, NY 10007
(212) 553-0300

Standard & Poors
25 Broadway
New York, NY 10004
(212) 208-8000

These resources are usually available in public libraries.

*Financial Planner Interview Questionnaire**

Background and Education

The backgrounds of financial planners can vary as much as the services offered. The planner's education and experience should demonstrate a solid foundation in financial planning and a commitment to keeping current.

1. What is your educational background?

   College degree and area of study _____

   Graduate degrees and area of study _____

   What is your financial planning education and designations?

   Certified Financial Planner (CFP) _____

   Chartered Financial Consultant (ChFC) _____

   Registry of Financial Planning Practitioners _____

   Other _____

2. How long have you been offering financial planning services?

   Less than two years _____

   Two to five years _____

   More than five years _____

3. What continuing education in financial planning do you pursue?

   1 to 14 hours of professional education each year _____

   15 to 30 hours of professional education each year _____

   At least 30 hours of professional education each year _____

4. Are you a member of any professional financial planning associations?

   Institute of Certified Financial Planners (ICFP) _____

   National Association of Personal Financial Advisors (NAPFA) _____

   International Association for Financial Planning (IAFP) _____

   Registry of Financial Planning Practitioners _____

   Other _____

5. Will you provide me with references from clients?

6. Have you ever been cited by a professional or regulatory governing body for disciplinary reasons?

Services

Financial planners provide a range of services. It is important to match client needs with services provided.

1. Does your financial planning service include:

   A review of my goals

   Advice on:

   - Cash management and budgeting
   - Tax planning
   - Investment review and planning
   - Estate planning
   - Insurance needs in the area of life, disability, health, and property/casualty
   - Retirement planning
   - Other _____

2. Do you provide a written analysis of my financial situation and recommendations?

   Is the analysis tailored to my personal needs and goals?

3. Does your financial planning service include recommendations for specific investments or investment products?

   Do you offer assistance with implementation?

4. Do you offer continuous, on-going advice regarding my financial affairs, including advice on non-investment financial issues?

5. Do you take possession of, or have access, to my assets?

Compensation

Financial planning costs include what a consumer pays in fees and commissions. Comparison between planners requires full information about potential total costs. It is important to have this information before entering into any agreement.

1. How is your firm compensated?

   ___ Fee only

   ___ Commission only

   ___ Fee and commissions

   ___ Fee offset

   How is your compensation calculated?

   ___ Fee only (as calculated below):

   Based on an hourly rate of $ _____

   Flat fee or fee range of _____

   Percentage (%) of _____

   Are fees capped? _____

   ___ Commission only (from securities, insurance, etc., that clients buy from a firm with which you are associated)

   ___ Fee and commission (sometimes referred to as "fee based")

   ___ Fee offset (a flat fee is charged against which commissions are offset). If the commissions exceed the fee, is the balance credited to me?

[Note: The Securities and Exchange Commission requires that the above information be disclosed.]

2. If you earn commissions, approximately what percentage of your firm's commission income comes from:

Insurance products:	___ %
Annuities:	___ %
Mutual funds	___ %
Limited partnerships	___ %
Stocks and bonds	___ %
Coins, tangibles, collectibles	___ %
Other (explain)	___ %
	= 100 %

3. Does any member of your firm act as a general partner, participate in, or receive compensation from investments you may recommend to me?

Regulatory Compliance

The SEC requires if an individual or firm holds out to the public that they provide financial planning services, under most circumstances, they are required to be registered with the SEC.

1. Are you or your firm registered as an investment adviser with the U.S. Securities and Exchange Commission? If no, please indicate which SEC allowable reason for non-registration applies?

   ___ Fewer than 15 clients

   ___ Do not provide generic of specific advice on securities

   ___ Do not provide financial planning advice for a fee, but only as a registered representative or broker/dealer

2. Is your firm registered with your state securities office? If no, please explain:

Please provide a copy of your registration with the Securities and Exchange Commission (ADV Part II), as required by the SEC under the Investment Advisers Act of 1940.

**Courtesy of the National Association of Personal Financial Advisors*

*Financial Planner Disclosure Form**

For the period _____ to _____

Investment and Insurance Products	Amount to Invest	Estimated Commission Rate	Estimated Income to Planning Firm and Affiliates†
_____	$_____	_____%	$_____
_____	$_____	_____%	$_____
_____	$_____	_____%	$_____
_____	$_____	_____%	$_____
_____	$_____	_____%	$_____
_____	$_____	_____%	$_____
Total	$_____	_____%	$_____

†*Total amount of commission, rebate or fee typically earned by planner, firm employee and affiliate in the first year.*

Services: (money management, investment supervision, retainer arrangements or implementation fees)

_____	$_____
_____	$_____
_____	$_____
Total	$_____

Other Compensation to Planning Firm and Affiliates: (Check all that apply and explain to client)

	No	Yes		No	Yes
12b-1 fees	☐	☐	Eligibility for sales prizes	☐	☐
Trailing commissions	☐	☐	Soft-dollar benefits	☐	☐
Surrender charges	☐	☐	Performance Compensation	☐	☐
Back-end fees	☐	☐			
Contingency fees	☐	☐			

Note to client: *Estimated commissions and fees do not include commissions and fees that might be payable to non-affiliated third parties as a result of the purchase of financial products and services. These commissions and fees may be substantial. The client is strongly advised to seek full disclosure of fees and commissions when purchasing financial products or services.*

I acknowledge receiving this document:

_____		_____	
Client (signature)	Date	Client (signature)	Date
_____		_____	
Planner (signature)	Date	Principal (signature)	Date

**Courtesy of the National Association of Personal Financial Advisors.*

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